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Evolving Policies And Institutional Arrangements In The Canadian Agri-food Industry: An Analysis Of Differential Development Between The Dairy And Beef Livestock Sectors

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**EVOLVING POLICIES AND INSTITUTIONAL ARRANGEMENTS
IN THE CANADIAN AGRI-FOOD INDUSTRY:
AN ANALYSIS OF DIFFERENTIAL DEVELOPMENT BETWEEN
THE DAIRY AND BEEF LIVESTOCK SECTORS**

by

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Department of Geography

**Submitted in partial fulfilment
of the requirements for the degree of
Doctor of Philosophy**

**Faculty of Graduate Studies
The University of Western Ontario
London, Ontario
September 1991**

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ABSTRACT

This thesis examines the evolving policies and institutional arrangements in the Canadian agri-food industry; specifically an analysis of differential development between the dairy and beef livestock sectors. Moving beyond the pluralist and other alternative explanations for the development of marketing boards, an integrative theoretical framework which incorporates a broader conceptual and theoretical approach was adopted to investigate the role of producers, agribusiness and the state in the agricultural policy-making process for each agri-food sector. Two specific periods of conflict were examined, which represented significant attempts to introduce a marketing board as a means to resolve a crisis that was afflicting each industry. Using a dual content analysis approach, this thesis examined the background papers to (i) the Ontario Milk Industry Inquiry Committee, and (ii) the Commission of Inquiry into the Marketing of Beef and Veal, in order to determine the interests of each of the participants to the Inquiry, in relation to the policy recommendations and the legislative response.

From this investigation, it was discovered that the policy outcomes from each period of conflict were directed towards the combined interests of large scale efficient producers and agribusiness firms. In the dairy industry, large scale producers were advocating a joint proposal that would protect their own interests, while large scale processors were demanding the complete overhaul of the rigid and restrictive institutional arrangements that were maintaining inefficiencies in production and processing activities, and limiting the investment of capital. The state's response to the crisis was to introduce 'enabling legislation' for the complete rationalization of the dairy production process. In the beef livestock industry, producers were divided on the type of marketing system that would resolve a severe cost-price squeeze. On the one hand, large scale producers and agribusiness interests were requesting the modification of the existing marketing system; on the other hand, small scale producers and labour were demanding the development of a

beef marketing board. The state's response was to modify the beef marketing system through the introduction of import quotas and stabilization payments. In both agri-food industries, the state response to the interests of capital, suggests that the institutional arrangements in the Canadian agri-food industry deserves more critical examination.

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Over the past 6 years, I discovered that writing a Ph. D. thesis could be a very lonely experience. However, a thesis is never written in complete isolation of academic input, friendly support, and other "stress-minimizing activities"; hence, I would like to formally acknowledge the assistance of just a few of the persons who helped me through the Ph. D. process. In academic terms, initial thanks must be given to my supervisory committee. Don Janelle and Don Cartwright were very helpful during the early stages of the dissertation, particularly in the preparation of the prospectus. There is little doubt that the thesis would not have been completed in its present form without the supervision of Michael J. Troughton. His help, guidance, friendship and support throughout this process has been extensive, and is gratefully acknowledged. I sincerely hope that the completion of the dissertation will not result in the end of our many discussions on the Canadian agri-food system.

On technical grounds, a number of cartographers assisted with four of the illustrations in the dissertation. Patricia Chalk and Gordon Shields, University of Western Ontario, were responsible for Figure 4.1; Chris Earl, Carleton University, provided Figures 5.1 and 6.2; and Marie Puddister, University of Guelph, was responsible for Figure 6.4. These illustrations could not have been included in the final version of the thesis, without their skills and abilities to meet my deadlines. During the course of the data collection, the staff at the Public Archives of Canada and the Provincial Archives of Ontario were of great help in tracking down obscure documents. Too numerous to mention individually, I am thankful for their collective assistance. At the same time, my stay in Ottawa and Toronto would not have been possible without the generosity of my "special landlords": Alan and Suzanne, and Kim and Roberto, respectively. Without their hospitality, the long and arduous hours in the archives would have been intolerable.

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TABLE OF CONTENTS

	Page
CERTIFICATE OF EXAMINATION	ii
ABSTRACT	iii
ACKNOWLEDGEMENTS	v
TABLE OF CONTENTS	vii
LIST OF TABLES	x
LIST OF FIGURES	xiii
LIST OF APPENDICES	xiv
CHAPTER 1: INVESTIGATING THE EVOLVING INSTITUTIONAL ARRANGEMENTS IN THE CANADIAN AGRI-FOOD INDUSTRY	1
1.0 Introduction: The research problem	1
1.1 The agri-food system and the agricultural policy-making process	3
1.2 The empirical focus of the thesis	6
1.3 The significance of the research	8
1.4 The organization of the thesis	11
CHAPTER 2: RECENT DEVELOPMENTS IN THE GEOGRAPHICAL STUDY OF THE AGRI-FOOD SYSTEM	16
2.0 Introduction	16
2.1 The evolving agri-food geographical literature	17
2.2 Theoretical models of the state	26
2.3 Theories of the state and agricultural policy in Canada	35
2.4 Conclusions	38
CHAPTER 3: POLICIES AND INSTITUTIONAL ARRANGEMENTS IN THE CANADIAN AGRI-FOOD INDUSTRY	40
3.0 Introduction	40
3.1 Marketing boards in Canada	42
3.2 The historical development of marketing boards in Canada	47
3.3 The pluralist approach towards the development of marketing boards	54
3.4 Alternative explanations for the formation of marketing boards	59

3.5	Towards a broader explanation for marketing boards	69
3.6	Conclusions	82
CHAPTER 4: CONFLICT THEORY AND CONTENT ANALYSIS: TOWARDS AN INTEGRATIVE THEORETICAL FRAMEWORK		
		85
4.0	Introduction	85
4.1	Conflict and the agricultural policy-making process	86
4.2	Conflict theory and a model of conflict resolution	91
4.3	A proposed integrative theoretical framework	93
4.4	Content analysis	97
4.5	The content analysis design and procedure	101
4.6	Questions and hypotheses	103
4.7	Conclusions	106
CHAPTER 5: CONFLICT AND THE POLICY-MAKING PROCESS IN THE ONTARIO DAIRY INDUSTRY		
		108
5.0	Introduction	108
5.1	The Ontario dairy industry in the early 1960s	110
5.2	The chronic dairy crisis	119
5.3	The Inquiry into the Milk Industry in Ontario	126
5.4	A qualitative content analysis of the Inquiry into the Milk Industry in Ontario	133
5.5	Analysis of the crisis (a quantitative content analysis)	152
5.6	Recommendations and government legislation	169
5.7	Summary and conclusions	176
CHAPTER 6: CONFLICT AND THE POLICY-MAKING PROCESS IN THE CANADIAN BEEF LIVESTOCK INDUSTRY		
		181
6.0	Introduction	181
6.1	The Canadian beef industry, 1975	182
6.2	The beef crisis of the early 1970s	195
6.3	The Commission of Inquiry into the Marketing of Beef and Veal	200
6.4	A qualitative content analysis of the Commission of Inquiry into the Marketing of Beef and Veal	205

6.5	Analysis of the crisis (a quantitative content analysis)	232
6.6	Recommendations and government legislation	251
6.7	Summary and conclusions	259
CHAPTER 7: A CRITICAL EVALUATION OF THE AGRICULTURAL POLICY-MAKING PROCESS IN THE DAIRY AND BEEF LIVESTOCK INDUSTRIES		262
7.0	Introduction	262
7.1	Theoretical explanations to the agricultural policy-making process...	263
7.2	Legitimation and the evolving structural relationship.....	274
7.3	Conclusions.....	286
CHAPTER 8: SUMMARY AND CONCLUSIONS:		287
8.1	Summary and conclusions.....	287
8.2	Questions and directions for future research	292
APPENDIX I: THE ONTARIO MILK INDUSTRY INQUIRY COMMITTEE, BACKGROUND INFORMATION		293
APPENDIX II: THE COMMISSION OF INQUIRY INTO THE MARKETING OF BEEF AND VEAL, BACKGROUND INFORMATION		325
APPENDIX III: LETTER FROM THE PUBLIC ARCHIVES OF CANADA		347
BIBLIOGRAPHY		348
VITA		366

LIST OF TABLES

Table	Page
1.1 The number of census farms in Canada, 1961-1986	4
1.2 Top 4 manufacturing sectors in Canada, 1983; by value of shipments of goods of own manufacture	9
1.3 Top 4 sources of farm cash receipts from farming operations in Canada, 1985 and 1986	9
3.1 Major federal and provincial (Ontario) agricultural marketing acts	51
3.2 Products under marketing board jurisdiction in Canada, 1984-1985	55
3.3 Number of marketing boards and the number of producers whose products were under jurisdiction of marketing boards in Canada, by Province, 1984-1985	56
3.4 Producers' receipts through marketing boards as a percentage of farm cash receipts, by commodities, for Canada, 1984-1985	56
4.1 Power, conflict and theoretical perspectives of the state	95
4.2 Principal thematic categories for the dairy and beef livestock briefs	104
5.1 Production of milk and certain dairy products, by province, 1963	112
5.2 Distribution of dairy establishments by province, 1963	112
5.3 Number of farms and farms with milk cows in Ontario, 1921-1961	113
5.4 Milk cows on farms in Ontario, classified by number reported, 1951 and 1961	113
5.5 Milk cow population and total milk production in Ontario, 1956, 1961 and 1963	114
5.6 Growth of bulk milk handling in Ontario, 1953-1963	114
5.7 Statistics on bulk tanks and pipe-line installations in Ontario, 1962 and 1964	115
5.8 Average farm value of milk and cream sold by farmers, Ontario, 1959-1963	116
5.9 The number of dairy establishments in Ontario and Canada, 1961-1965	119
5.10 Location and dates of the Ontario Milk Industry Inquiry Hearings	129
5.11 Composition of participants submitting briefs, by organizational type	131
5.12 List of major groupings for participants	134
5.13 The cost-price squeeze	136
5.14 The production and marketing system	139
5.15 The method of exchange	141
5.16 Government policy	143
5.17 Transportation	144
5.18 Attitudes and values	146

5.19 Technology and efficiency	148
5.20 Solutions and recommendations	150
5.21 List of elite participants and brief number	153
5.22 The cost-price squeeze (elite analysis)	155
5.23 The production and marketing system (elite analysis)	156
5.24 The method of exchange (elite analysis)	157
5.25 Government policy (elite analysis)	158
5.26 Transportation (elite analysis)	159
5.27 Attitudes and values (elite analysis)	160
5.28 Technology and efficiency (elite analysis)	163
5.29 Solutions and recommendations (elite analysis)	166
5.30 Summary of principal recommendations	171
6.1 Cattle other than milk cows; number on farms @ June 1, farm values per head and total farm values, for Canada, selected years	183
6.2 Value of cattle livestock sold, by province, 1970	184
6.3 Cattle and calves slaughtered in federally inspected establishments, by province, 1975	187
6.4 Canadian cattle exports to the United States, by region, 1974 and 1975 ...	188
6.5 Canadian cattle imports from United States for slaughter, by province, 1975	189
6.6 Dressed beef and veal (in lbs), exports and imports, for Canada, 1974 and 1975	189
6.7 Number of slaughtering and meat processing plants and number of production and related workers, Canada, for selected years	192
6.8 Number of slaughtering and meat processing plants, and selected statistics, by province, 1975	193
6.9 Major slaughtering and meat processors, by 1971 sales	194
6.10 A summary of government intervention during the beef crisis, 1973-1974	197
6.11 Location and dates of the hearings for the Inquiry into the Marketing of Beef and Veal	201
6.12 Composition of participants submitting briefs, by organizational type	204
6.13 List of major groupings for participants	206
6.14 Background information	208
6.15 The cost-price squeeze	210
6.16 The production and marketing system	213
6.17 The methods of exchange	216
6.18 Government policy	219

6.19 Attitudes and values	223
6.20 Processing technology (boxed beef)	226
6.21 Solutions and recommendations	227
6.22 Composition of participants based upon their recommendations, by province and organizational type	229
6.23 List of elite participants and brief number	233
6.24 Membership and plant location of the Meat Packers Council of Canada, 1975	234
6.25 The cost-price squeeze (elite analysis)	236
6.26 The production and marketing system (elite analysis)	237
6.27 The methods of exchange (elite analysis)	238
6.28 Government policy (elite analysis)	240
6.29 Attitudes and values (elite analysis)	242
6.30 Solutions and recommendations (elite analysis)	246
7.1 The number of farms in Ontario reporting dairy cows, 1961 and 1986 ...	275
7.2 Distribution of licenced milk production units by annual levels of milk shipments and number of cream producers, in Ontario 1975/76, 1977/78 and 1987/88	276
7.3 The number of dairy farms by sales volume for Ontario, Canada, and the United States	277
7.4 Average net-income of dairy, feedlot and cow-calf farms sampled in the Ontario Farm Management Accounting Project, 1965-1989	280
7.5 Income sources as a percentage of farm operators' total income, for cattle and dairy farm product type, Canada, 1970, 1980 and 1985	282
7.6 Sources of income of farm operators classified by major product type and by value of products sold, for Ontario, 1986	282
7.7 Net income of top 33 percent dairy, feedlot and cow-calf farms sampled in the Ontario Farm Management Accounting Project	285

LIST OF FIGURES

Figure	Page
2.1 The policy process model	21
3.1 A model sequence of the Canadian agri-food system	45
4.1 The goals of marketing board and supply management arrangements identified by participant groups in the Canadian agriculture and food system	90
4.2 Stages in the process of conflict resolution	92
5.1 The location of the Ontario Milk Industry Inquiry hearings	130
6.1 Federally inspected beef slaughtered, by province, 1961 and 1974	185
6.2 The location of the hearings for the Commission of Inquiry into the Marketing of Beef and Veal	202
6.3 Distribution of submitted briefs, by province or region	204
6.4 Provincial distribution of participants by recommendations	230
7.1 Distribution of Ontario dairy processing plants by volume of milk received, fluid and industrial milk plants, 1980/81 and 1987/88	278
8.1 A general model of interest group pressures and the policy-making process in the Canadian agri-food system	291

LIST OF APPENDICES

Appendix	Page
Appendix I: The Ontario Milk Industry Inquiry Committee, Background Information	295
Appendix II: The Commission of Inquiry into the Marketing of Beef and Veal, Background Information	325
Appendix III: Letter from the Public Archives of Canada	347

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Chapter 1: Investigating the evolving institutional arrangements in the Canadian agri-food industry

1.0 Introduction: the research problem

Marketing boards have historically played an influential part, and continue to have a major role, as a policy instrument in the Canadian agricultural system. The adoption of marketing boards in Canada, however, has both temporal and spatial variations; varying over time, between provinces, and amongst different agricultural commodities. For example, the dairy industry in Canada has had an extensive history of state intervention, with marketing boards originally introduced during the Great Depression of the 1930s. With the legislation of further authoritative powers (such as supply management) during the mid 1960s and the adoption of a national marketing plan in the early 1970s, the dairy industry is currently the most regulated agricultural system in Canada. In contrast, the Canadian beef livestock industry has had an equally long history of rejecting a marketing board as a policy alternative, for over half a century choosing instead to operate within an institutional environment that is largely free enterprise, albeit with limited state intervention.

The variation in the institutional mechanisms regulating the Canadian agricultural system, and particularly the uneven development of marketing boards amongst agricultural commodities, presents a unique problem for investigation. Why is there an uneven development of marketing boards in the Canadian agricultural system? More specifically, why is there a marketing board with extensive powers regulating the dairy industry, while the beef livestock industry continues to function without the assistance of a producer marketing agency? According to Gilson (1973), there is not a simple answer to these questions:

The evolution of Canada's agricultural marketing and pricing policies has been a much more complex and subtle process. One will not find a neat conceptual explanation for the development of the Canadian Wheat Board, the Agricultural Stabilization Act, or the various commodity marketing boards. These policies resulted from a long series of incremental reactions and adjustments to changing events and circumstances over the past half century (Gilson, 1973; p. 786).

Although Gilson's broad explanation notes the complexity of the evolution of marketing board legislation in Canada, it offers few insights into a critical explanation for their uneven development. The statement, however, nevertheless provides some direction for research into this problem by implicitly suggesting that the relationship between marketing board legislation and agricultural production should be considered on a commodity by commodity basis, instead of attempting to develop a neat conceptual explanation for all types of agricultural policy.

Unfortunately, most attempts by social scientists and agricultural-economists to explain variations in agricultural policy have failed to investigate the problem on a commodity by commodity basis, nor have they adequately recognized the complexity of the policy-making process. Essentially, simplistic interpretations of the formation of marketing boards, and supply management in particular, have neglected both agribusiness and state interests, while citing agrarian factors as being the predominant force behind increased government intervention. While these and other interpretations provide numerous insights towards our understanding of the agricultural policy-making process, a central tenet of this thesis is that they collectively fall short of providing a comprehensive explanation for the uneven development of marketing boards in Canada. The prevailing agricultural-economic interpretations, for example, provide only a limited explanation since they fail to incorporate a broader conceptualization of the competing segments of an agri-food system.

Attempting to provide a more critical explanation for the uneven development of marketing boards, the research focus of this dissertation is directed towards two recent substantive attempts to introduce a marketing board system into the Canadian dairy and beef livestock industries, in the 1960s and 1970s respectively.¹ In both situations, the state's decision to implement or reject a marketing board system was based upon

¹ More recently in 1988, there was an attempt to introduce a marketing board into the Ontario beef livestock industry. The results from this recent attempt are discussed in chapter 7.

recommendations from commissions of inquiry. Using the background material (written briefs and transcripts) to each commission of inquiry as the primary data source, the dissertation develops an integrative theoretical framework that places the policy-making process within a broader conceptual and theoretical context, and focuses upon a variety of underlying factors as being critical for the formation of marketing boards, particularly (i) the convergence of ideology, based upon economic interdependency, between large industrialized farmers and agribusiness firms, and (ii) how the state and agribusiness react to changing economic, market and political conditions.

1.1. The agri-food system and the agricultural policy-making process

Vital to our understanding of the policy-making process is the recognition of three fundamental features of the Canadian agricultural system: (i) agriculture as one part of a broader agri-food system; (ii) the processes of industrialization and consolidation in both the agricultural and agribusiness sectors; and (iii) the competitive nature of the agri-food system, which places the interests of the various segments of the 'food chain' in direct conflict. First, it must be recognized that contemporary agricultural activity operates in a broader agri-food system. The emergence and recognition of a Canadian agri-food system was clearly identified in the Report of the Federal Task Force on Agriculture (1969), which defined farming as a sub unit of the total agricultural system. In other words, agricultural activity was considered in relationship to the other components of an agri-food system; specifically, the agribusiness sector which involves the firms (typically multinational corporations) who supply agricultural inputs (i.e. farm machinery, pesticides and fertilizers), and who control agricultural output (i.e. processing, wholesaling and retailing activities). Other components of the agri-food system include consumers, government agencies (including the instruments of public policy), and assorted lobby groups that represent the various segments within the system (i.e. agrarian organizations, agribusiness

associations, etc.). Recognition of a broader agri-food system is important in terms of understanding the complexity of the agricultural policy-making process, which involves the participation and consideration of more than simply agrarian interests.

Second, it is necessary to recognize that the contemporary agri-food system in Canada has undergone considerable restructuring since World War II. This has involved what is generally described as the industrialization of agriculture (Troughton, 1985; 1986a and 1986b), in which farm operations have become increasingly integrated within an industrial mode of production. In a broad context, this has involved a drastic reduction in farm numbers (table 1.1), increased capitalization amongst the commercially viable farms, and greater specialization in production. Associated with this industrialization process has been the polarization of agriculture, with a small number of large scale farmers responsible for an overwhelming majority of agricultural production, and a large number of small scale farmers who contribute only a small amount towards the total production. In the 1970s, for example, less than 30 percent of all farmers in Canada had 80 percent of all gross farm sales (Brinkman, 1981), and 1986 census data indicates that this polarization in production has only increased during the 1980s.

Table 1.1: The number of census farms in Canada, 1961-1986

Year	Number of Census Farms
1961	480,903
1971	367,195
1981	318,360
1986	293,090

Source: Statistics Canada, Census of Agriculture

There has also been a corresponding process of consolidation in the agribusiness sector (Mitchell, 1975; Warnock, 1978; Wallace and Smith, 1985; Kneen, 1989). The number of firms engaged in the manufacture or processing of agricultural commodities has

declined dramatically, resulting in a polarized sector between small scale agribusiness firms and large scale multinational corporations. Associated with this consolidation process has been the increasing dominance of supermarket chains, who exert their own influence throughout the production process. Overall, the Canadian agri-food system is becoming increasingly dominated by large scale farmers, whose production is predominantly controlled by multinational agribusiness firms. An important consequence of these two processes has been the emergence of a few dominant agrarian organizations and agribusiness firms, who have considerable potential to influence the agricultural policy-making process.

Lastly, underlying the Canadian agri-food system is a competitive process that typically places the various components in direct conflict. If the food production process is viewed as a 'food chain', by which agricultural production is processed and then distributed through various retail outlets for consumption, then the interests between each sector are potentially in conflict. As Warnock (1978) explains, the underlying competitive nature of the system creates conflict throughout the agricultural production process:

We live in a competitive capitalist society. Everyone is supposed to pursue his/her own self-interest. The production, distribution, and consumption of food is determined by our basic economic system. At every level, these practices are governed by the profit motive. Within such a system it is inevitable that conflicts emerge between different sectors of the total food industry, not excluding those who are only consumers. It is an adversary rather than a co-operative system (Warnock, 1978; p. 14).

Conflict between the competing components of the agri-food system can be clearly articulated in the policy-making process. Whether it involves the private negotiation over price, contrasting views expressed in a public inquiry, or the subtle manipulation of the media, conflict is an integral part of the agri-food system and the agricultural policy-making process. This is particularly relevant to the development of marketing board legislation in Canada, although in this case conflict extends to differences in the goals and objectives of agricultural policy (see Troughton, 1987).

1.2 The empirical focus of the thesis

Although there is an institutional procedure to facilitate the formation of a producer initiated marketing board in any province in Canada, the history of marketing board legislation in the Canadian dairy and beef livestock industries can be traced to specific periods of conflict in each industry. Instead of resulting from a 'grass roots' agrarian movement to establish a marketing board, the policy-making process associated with this type of policy instrument has typically involved greater state intervention in the form of commissions of inquiry. Although the dissertation traces the struggle to introduce marketing board legislation into the dairy and beef livestock industries since the Great Depression of the 1930s, two significant periods of conflict are examined in detail, as they represent critical junctures in the agricultural policy-making process for each industry: (i) the crisis within the dairy industry during the early 1960s; and (ii) the beef livestock crisis that occurred during the mid 1970s.

In each period of conflict, the state established a commission of inquiry (a provincial inquiry for the dairy industry, and a federal inquiry for the beef livestock industry) to investigate the problems in each industry and provide recommendations to ameliorate the crisis. Both inquiries provided a public forum in which representatives from the various components of the dairy and beef livestock industries could articulate their views regarding the type of legislative response that was required to solve the crisis in each industry. After the completion of the hearings, each commission of inquiry issued their own reports: The Report of the Ontario Milk Industry Inquiry Committee (Hennessey et al., 1965), and The Report of the Commission of Inquiry into the Marketing of Beef and Veal (Mackenzie et al., 1976), which provided recommendations to improve the economic conditions in each industry. Despite undergoing a similar policy-making process, vastly different institutional mechanisms regulating trade emerged from the two periods of crisis.

Closely following the recommendations of the Hennessey Report, the Ontario provincial government passed The Milk Act, 1965 (S.O. 13-14 Eliz. II, c. 72; R.S.O. 1970, c. 273)², which significantly altered the institutional environment regulating the dairy industry in the province, and facilitated the radical restructuring of the industry via supply management. The successful introduction of supply management in Ontario was quickly followed by the adoption of similar milk marketing arrangements in all other provinces across Canada, which in turn was followed by the adoption of a national marketing plan in the early 1970s. In contrast, the Mackenzie Report effectively discounted the marketing board option, choosing instead to recommend minor modifications to the existing beef marketing system.

Given the sequential pattern that the policy-making process followed in each industry, the empirical focus of the dissertation is on each of the commissions of inquiry, which is essentially the medium for the expression of conflict. In both cases, the staging of public hearings enabled the various competing components of the agri-food system to voice their perceptions of the crisis, and to propose solutions for their respective industries. Hence, the primary data source for the empirical investigation are the background materials to the two commissions of inquiry, specifically 271 written briefs submitted to both committees and over 10,000 pages of transcripts to the hearings. Through the application of a dual content analysis to the submitted briefs, the investigation attempts to analyze the policy outcomes in both industries to the interests of the participants to each inquiry. This involves comparing the articulated interests of the participants to both the recommendations of the Reports and the actual legislative response.

From an analytical perspective, the thesis also moves beyond simple description towards a more critical theoretical interpretation of the policy-making process. In this sense, further consideration is given to the major (elite) participants to each inquiry, both in

² Hereupon referenced as The Milk Act (R.S.O. 1970, c. 273).

terms of their written briefs and their documented discussions with the committee. This approach places the policy-making process within an integrative theoretical framework, and incorporates a 3-stage model of conflict resolution with 3 general theoretical perspectives; specifically, the pluralist, corporatist, and structuralist theories of the state. Such an analysis inevitably leads one to question which participants had a greater influence on the policy-making process.

1.3 The significance of the research

Why undertake a geographical study of the agricultural policy-making process in the dairy and beef livestock industries? Given the number of persons involved in each industry, the importance of beef and dairy products to the Canadian consumer, and the significant impact of public policy on the agri-food system, this question can be answered in a number of different ways. Three specific reasons deserve our consideration: (i) the political-geography rationale, (ii) in view of the economic importance of each industry, and the recent domestic and international pressures on supply management in Canada, and (iii) as a significant contribution to the agricultural geographic literature.

Within political-geography, there has been a strong tradition of resource management studies, in which geo-political forces can have an impact upon the spatial patterns of land use (see Ad Hoc Committee on Geography, 1965). Moving beyond the investigation of interaction between political regions, resource management studies consider the relationship between political processes and land use planning. This concept has been applied specifically to agricultural land use, most notably by Bowler (1979) in his investigation of the spatial dimensions of the state-agriculture relationship in the United Kingdom.

In economic terms the food industry in Canada is the most significant manufacturing sector, in regards to the value of shipments of goods of own manufacture

(table 1.2). Within the food industries sector, manufacturing shipments from dairy and meat products accounted for almost 46 percent of this total, producing over \$13 billion worth of goods during 1983. On an individual product basis, meat and meat products (excluding poultry), other dairy products, and the fluid milk industry ranked 3rd, 9th, and 14th respectively, within the top 40 manufacturing industries in Canada. At the farm level, of the 260,745 farms in Canada with 1986 sales of \$2,500 or more, there were almost 93,500 farms classified as dairy or cattle (Statistics Canada, 1987). The commodities produced on these farms have consistently accounted for approximately one third of all farm cash receipts in Canada (table 1.3). The policy-making process in each industry thus has the potential to influence human activity in a large segment of the Canadian agri-food system, and is therefore worthy of investigation.

**Table 1.2: Top 4 manufacturing sectors in Canada, 1983:
by value of shipments of goods of own manufacture**

Industry	Manufacturing Shipments \$'000
Food Industries	29,591,411
Transportation Equipment Industries	28,455,642
Refined Petroleum and Coal Products Industries	23,324,355
Chemical and Chemical Products Industries	15,350,276

Source: Statistics Canada, Census of Manufacturers (1984).

**Table 1.3: Top 4 sources of farm cash receipts from farming operations
in Canada, 1985 and 1986.**

	1985		1986	
	\$'000	%	\$'000	%
Cattle	3,262,780	16.4	3,291,151	16.0
Dairy Products	2,716,404	13.6	2,787,328	13.5
Wheat ¹	2,504,971	12.6	2,462,045	12.0
Hogs	1,821,614	9.2	2,116,607	10.3

¹ Wheat only. Total 'Grain' receipts from: Wheat; Oats; Barley; Canadian Wheat Board Payments for Wheat, Oats, and Barley; and Western Grain Stabilization Payments totalled approximately \$4.5 Billion in 1986.

Source: Statistics Canada, Census of Agriculture (1987).

The role of marketing boards in the Canadian agri-food system has experienced a long history of scorn and scrutiny from the general public and the business community. As one journalist pointed out, "with the exception of labour unions - and Parliament itself - there is probably no other species of institution in Canada more controversial than farmers' marketing boards" (Pawlick et al., 1982; p. 21). Recent policy developments such as the Canada-U.S. Trade Agreement (CUSTA) and the General Agreement on Tariffs and Trade (GATT) negotiations have questioned the legality of a nation's right to protect domestic producers under a supply management system. Subsequently, these developments have fostered an unprecedented wave of anti-marketing sentiments from the business community in Canada (e.g. see Janigan, 1990). As Canada enters the 1990s, the very future of marketing boards in this country is in question. In this context, a descriptive account of how and why each industry implemented or rejected a marketing board can only contribute towards or stimulate a more thoughtful and critical discourse on the future role of this policy instrument in the Canadian agri-food system. Certainly the economic importance of each sector requires that any future policy initiatives should be carefully understood.

Third, by investigating the specific dynamics and historical processes that have influenced the agricultural policy-making process in the Canadian dairy and beef livestock sectors, this thesis will make a significant contribution to the recent literature in agricultural geography that has emphasized the need to examine changes in agricultural production within a broader conceptual and theoretical framework. In the past 2 decades, a strong interest has emerged in the rural geographical and rural sociological disciplines towards the relationship between agriculture, agribusiness and the state. In a Canadian context, this includes the industrialization of agriculture (Troughton, 1985, 1986a and 1986b), the geography of agribusiness (Wallace, 1985; Wallace and Smith, 1985), or the interrelationships between producers and agribusiness firms (Smith, 1980, 1984a and 1984b). Collectively, these contributions reflect that the investigation of the agri-food system has become an important area of research within Geography in Canada.

Of greater significance, however, are the recent contributions within agricultural geography which have specifically emphasized that the investigation of agricultural activity requires the adoption of a broader conceptual and theoretical framework (see Cloke and Little, 1987; Bowler and Ilbery, 1987; and Bowler, 1989). For example, Bowler and Ilbery (1987) have stressed the need to redefine agricultural geography along 3 dimensions:

1. The concept of the food supply system, as an integrating conceptual framework, with attention shifted from agricultural production to the further processing, distribution and marketing of agricultural produce. Research into linkages with urban and industrial systems in the food supply chain is a critical element here.
2. A broadened empirical context to include those circumstances where agriculture impinges on the wider society, both rural and urban, perhaps summarised by the terms 'resource allocation' and 'rural employment'.
3. An extension of the theoretical base to encompass perspectives being developed by theorists in cognate disciplines, such as political economy and rural sociology (Bowler and Ilbery, 1987; p. 330).

In this context, there has been a distinct and growing interest towards the role of agribusiness and the state in (i) influencing the policy-making process, and (ii) shaping the spatial and structural patterns of agricultural production. The research topic undertaken in this dissertation clearly falls within these boundaries, and will hopefully contribute towards our understanding of the role of agribusiness and the state in dictating Canadian agricultural policy, if not determining the agricultural geography of Canada.

1.4 The organization of the thesis

The thesis is organized into three specific sections which a) provide the context of the problem, b) present the empirical evidence from two commissions of inquiry, and c) provide a synthesis of conceptual and theoretical constructs to help explain the agricultural policy-making process in each industry, respectively. More specifically, the chapters are organized as follows: the context of the problem in terms of broader conceptual and theoretical investigations of the agri-food system in the rural geographical and sociological literature in chapter 2; the role and extent of marketing boards in the Canadian agri-food

system and the prevailing interpretations for their pattern of uneven development in chapter 3; the development of an integrative theoretical framework to investigate the problem, that combines conflict theory with 3 epistemological perspectives in chapter 4; the empirical research involving a dual content analysis of two commissions of inquiry, in chapters 5 and 6; and a synthesis of the policy-making process in relationship to 3 epistemological theories of the state in chapter 7.

In chapter 2, the discussion focuses upon the recent shift of inquiry within the rural geographical discipline away from the traditional investigation of spatial differentiation in agricultural activity, towards a more comprehensive view that changes in agriculture must be examined within a broader conceptual and theoretical framework. On a conceptual basis, this has involved placing agriculture within the broader agri-food system, essentially as the primary production stage along the food-chain. Associated with this broader conceptualization has been the adoption of more critical theoretical approaches to explain the relationship between agriculture, agribusiness and public policy, specifically the pluralist, corporatist and structuralist theories of the state.

The role and function of marketing boards in the Canadian agri-food system is the topic of chapter 3, with particular emphasis on the prevailing explanations for their evolution and uneven development. Drawing upon a variety of secondary sources, from the agricultural-economic, geographical and political-economy literature, traditional interpretations of marketing boards are compared and contrasted in terms of their explanatory powers. These traditional interpretations involve geographical, geo-political, structural, ideological and economic factors as explaining the uneven development of marketing boards in Canada. While each of these interpretations offer considerable insight into the problem, it is argued that a political-economy approach that incorporates a convergence of ideology and economic interdependence between agribusiness, large-scale producers and the state, is fundamental towards developing a comprehensive explanation for the different institutional structures that currently regulate the Canadian dairy and beef

livestock industries. Central to this argument is the propensity for agribusiness firms to either oppose or support a marketing board system, as illustrated in the example of the Canadian Wheat Board. The historical and political-economy interpretation provided by Finkel (1979), which documents early attempts to introduce a marketing board system into the dairy and beef livestock industries in Canada during the Great Depression of the 1930s, also suggests that a broader conceptual and theoretical framework should be applied to an investigation of the contemporary agricultural policy-making process in each industry.

In chapter 4, the discussion draws upon the conceptual and theoretical approaches outlined in the recent rural geographical literature, and further develops an integrative theoretical framework to investigate the role of agrarian, agribusiness and state interests in the agricultural policy-making process. The framework incorporates the broader conceptualization of the agri-food system, by placing the policy-making process within a 3-stage model of conflict resolution. This model involves the mobilization of resources (describing the background to each crisis), confrontation between competing segments of the production process within each industry (a content analysis of written briefs that were submitted to each commission of inquiry), and the social control that results from the legislative response to the policy recommendations from each inquiry (resulting in the formation or rejection of a marketing board). Consideration of more critical theoretical approaches to the investigation of the policy-making process is undertaken by incorporating the conflict resolution model within the 3 general theoretical perspectives.

In terms of methodology, a description of content analysis as a data collection technique to facilitate an investigation of the policy-making process in each industry is also presented in this chapter; specifically, the argument that a dual content analysis is an appropriate technique to categorize the perceptions and demands of the participants who submitted briefs to each commission of inquiry. The conceptual, theoretical and methodological discussion terminates with a series of research questions and hypotheses

that provide the general guidelines for the empirical investigation of the agricultural policy-making process in the dairy and beef livestock industries.

The empirical investigation of the two commissions of inquiry is presented in chapters 5 and 6, for the dairy industry in Ontario and the beef livestock industry in Canada, respectively. Each chapter is divided into 6 sections: (i) the structure of the industry leading to the crisis; (ii) the roots of the crisis; (iii) a preliminary analysis of the inquiries, highlighting the location and organization of the hearings, and identifying the major participants; (iv) a qualitative content analysis of the written briefs submitted to each industry, grouped according to organizational type along the production process; (v) a quantitative content analysis of a sample of 'elite' participants submitting briefs; and (vi) an evaluation of the articulated interests of the 'elite' participants vis-a-vis recommendations and legislative response.

A synthesis of the policy-making process is the focus of chapter 7. The discussion readdresses the policy-making process within the context of the 3 epistemological perspectives. The intention of this discussion is to draw upon the relative strengths of each perspective to explain the policy outcomes in each industry, rather than to focus upon one perspective as providing the sole explanation. Particular emphasis is placed on the role of elites in influencing policy outcomes, and the resulting structural relationships between agricultural producers and agribusiness firms. Consideration is also given to the degree of legitimation that has occurred in each industry, since the legislative response to resolve conflict during each specific crisis.

A brief summary and conclusion is provided in chapter 8, which specifically addresses the hypotheses proposed in chapter 4. A general model of the policy-making process is presented that describes how the interests of large scale industrialized producers and large scale agribusiness firms have combined to dictate agricultural policy in the dairy and beef livestock industries in Canada, despite the fact that each industry is regulated by a vastly different set of policy instruments. In view of recent developments in agricultural

policy such as the Canada-United States Trade Agreement (CUSTA) and the General Agreement on Tariffs and Trade (GATT) negotiations, the discussion also briefly comments upon the potential problems that each industry will encounter during the 1990s. Lastly, the discussion concludes by identifying research areas and questions that deserve further consideration in future investigations of the dairy and beef livestock industries in Canada.

Chapter 2: Recent developments in the geographical study of the agri-food system

2.0 Introduction:

Over the past 3 decades research in agricultural geography has evolved from essentially a descriptive, if not static, approach in the examination of agricultural activity, to recent investigations that incorporate broader conceptual and theoretical approaches in their geographical inquiry. While the investigation of differential spatial patterns in agricultural activity continues to have a central role in this research, recent contributions to agricultural geography have specifically emphasized that the investigation of agricultural activity requires the adoption of a broader conceptual and theoretical framework.

In recognition of this progression, the objective of this chapter is to place the thesis within the context of the evolving agricultural geographical research. The discussion begins with a brief examination of the traditional field of agricultural geography, then turns its attention towards this recent evolution. The primary focus is upon 4 specific thematic areas that have characterized research in agricultural geography, during the past 2 decades: (i) the industrialization of agriculture, (ii) the state-agriculture relationship, (iii) the investigation of agriculture as part of a broader agri-food system, and (iv) the role of agribusiness and the state in influencing the structure of modern agriculture. Research in each of these thematic areas tends to point towards the adoption of a political-economy approach for the investigation of how agribusiness and the state: (i) influence the agricultural policy-making process, and (ii) shape the spatial and structural patterns of agricultural production.

Having briefly outlined the evolution of agricultural geographical research from the description of agricultural activity to the adoption of a political-economy approach, the discussion shifts its attention towards defining the theoretical underpinnings of a broader method of inquiry. In this case, an examination of the 3 ontological models: pluralism, elitism, and structuralism, in terms of their application to the agri-food industry. It is

argued that a political economy approach is quite useful in explaining public policy in Canada. Furthermore, it is argued that a more critical investigation of the role of agribusiness and the state in the agricultural policy-making process in Canada is long overdue.

2.1 The evolving agri-food geographical literature:

The geographic study of agricultural activity is usually examined within the subdiscipline of rural geography, and more specifically within the subdiscipline of agricultural geography. In the latter context, the investigation of agricultural activity has historically been undertaken within a broadly defined, yet descriptive approach. For example, in his 1963 presidential address to the Canadian Association of Geographers, Reeds defined agricultural geography as a discipline that:

...in its broadest sense, seeks to describe and explain areal differentiation in agriculture, to understand the problems of agricultural land use, land-man ratios, the conservation of agricultural resources, and rural-urban relationships (Reeds, 1964; p. 51).

During the period between the two world wars, research by agricultural geographers tended to follow this approach, typically focusing upon the categorization of land use on a broad regional basis (e.g. see Whittlesey, 1936). The general objective of this early research was to identify agricultural regions, in terms of their characteristics of production.

In the late 1950s and early 1960s, both Buchanan (1959) and Reeds (1964) were outlining to their respective geographical associations, the development of agricultural geographical research as a major contributor to the discipline. By this point in time, agricultural geography had progressed beyond the broad investigation of extensive areas, and was beginning to investigate agricultural change based upon the individual farm level of analysis. Some early examples include Reeds (1955) study of agriculture in Otonabee township, Ontario, between 1941-1961, which provides a descriptive documentation of

changing land use over time and within a specific area, and the research by Found (1966) which sought to study the environmental impact upon citrus production, in Orange County, Florida. The early growth of agricultural geographical research culminated in the early 1970s, with the publication of 2 undergraduate textbooks that typically drew upon neo-classical economics to provide explanations for patterns in agricultural production (see Morgan and Munton, 1971; and Found, 1971). Since this early development of research in agricultural geography, the focus of inquiry has tended to move beyond describing differentiation in agricultural activity, towards investigating the broader processes that are operating upon agricultural production. Generally, this has involved the analysis of the changing structure of agriculture, in terms of the polarization of farm production and the industrialization of agriculture, and the recognition that agriculture cannot be examined in isolation of a broader agri-food system.

Perhaps the most substantive contribution by geographers towards the study of the agricultural system has been in the area investigating what is generally recognized as either the modernization (Fischer, 1982; Held, 1982; Grigg, 1983; and Bowler, 1984) or industrialization (Gregor, 1982; Troughton, 1982a; 1982b; 1985; 1986; and Ehrensaft, 1983) of agriculture. While this contribution includes efforts to establish typologies of industrialized agriculture for the U.S. (Gregor, 1982) and Canada (Troughton, 1982), or to compare the industrialization of agriculture between these two countries (Troughton, 1985; Smith and Wallace, 1985), a major thrust in the literature lies within efforts to satisfy the need to establish a general model of modernization in agriculture (Grigg, 1983). Troughton (1982b; 1985; 1986) has made a substantial contribution to this area of research, developing a model framework for industrializing agriculture in developed countries. The basic framework for this model states that the adoption of common agro-industrial technology and the ideology of economic efficiency and rationalization can be expressed as a set of 4 common operational processes:

1. increased scale of the production unit: the reorganization of the units of production; specifically a decrease in farm numbers;
2. capital intensification: the utilization of more efficient energy sources, applied through machines to both field and barn operations; the use of chemical fertilizers and pesticides; the diversity of structures to house large herds of livestock;
3. specialization of production: a narrower range of crops, specialized machinery, single types of livestock under 'factory-farming' conditions; and
4. sectoral integration of farm production within a larger food system: the farm becomes increasingly integrated within the food production system and assumes 'the role of a station' on the food-production assembly line (Troughton, 1982; p. 220).

In other words, agriculture in developed countries has basically experienced: (i) a steady decline in farm numbers since World War II; (ii) an increase in the specialization of production, resulting in a dramatic decline in the numbers of the traditional mixed family farm; (iii) an increase in size and capitalization amongst a small percentage of farmers who produce a majority of agricultural output; and (iv) increased integration within the broader agri-food system. Of particular significance is the recognition that large scale producers are becoming increasingly integrated, in terms of ideology and economic efficiency, with the needs and demands of agribusiness. Further, the relatively recent rise of agribusiness to a position of dominance suggests the possibility that the state has been the handmaiden of non-farm interests in aiding their control over the entire agricultural system (Troughton, 1985).

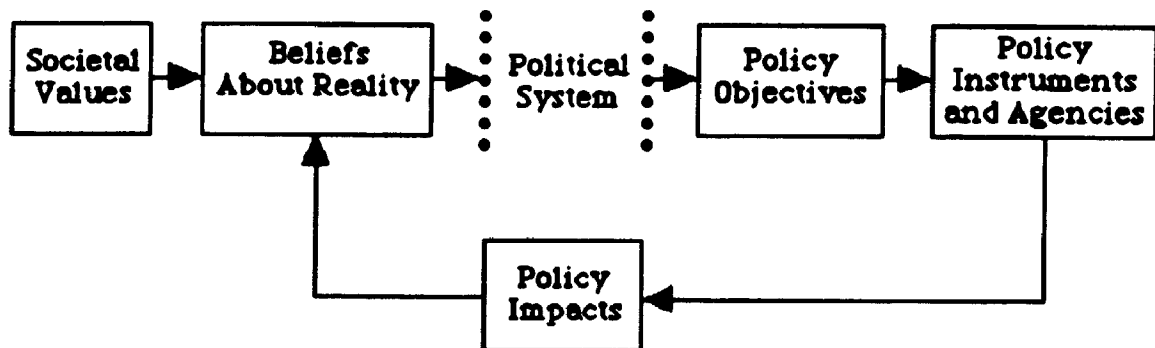
A critical question that emerges from the industrialization process concerns the relationship between the state and agribusiness; specifically, in terms of explaining why the state intervenes, and whose interests are best served by this intervention. However, there are differing interpretations in the rural literature of this relationship, such that the state 'inadvertently' (Smith, 1980; Bowler and Ilbery, 1987), 'unwittingly' (Troughton, 1985), or 'deliberately' (Newby and Utting, 1984) aids the interests of agribusiness via the implementation of agricultural policy. Overall, these questions are only tangentially raised by geographers and others examining the industrialization of agriculture.

One of the least developed areas of research advanced by geographers in the study of the agri-food system has been the investigation of the role of the state in influencing the spatial patterns of agriculture (Bowler, 1989).¹ According to Grigg (1984), the relationship between state policy and spatial patterns of farming is a factor "that cannot be neglected by the agricultural geographer" (p. 157). In this case, geographers have recognized that post-war agricultural production in developed countries seldom operates in isolation of government policy. Subsequently, they have attempted to investigate the impact of state intervention upon the spatial patterns of agricultural production. The most substantive contribution to this area of research is provided by Bowler (1979), who examines the spatial linkages between production patterns and policy in the U.K., by utilizing a rational process model of policy formation (see figure 2.1). Essentially a normative model, state intervention is explained from a neo-classical economic perspective, such that policy attempts to resolve the imbalance between reality and the optimal solution in terms of agricultural performance. This could involve raising producer incomes to levels equitable to their urban counterparts, increasing domestic food supplies (to ensure national food security), or to produce food at the lowest possible cost (a cheap food policy) (Bowler, 1979; 1989).

The policy-process model, and the work by Bowler (1979 and 1989), attempts to dispel the notion that agricultural production, and changes in its spatial configuration, exists in some 'mythical world of free enterprise'. Although there are operational difficulties involved when attempting to document a clear spatial relationship with specific policy, the adoption of this model nevertheless allows the researcher to examine critical junctures in legislation and then infer a causal relationship between policy and the spatial patterns that emerge in agricultural production (see Stocker, 1983). The principal contribution of this

¹ In a Canadian context, Sundstrom (1978) investigates the spatial impact of dairy policy at the production level, while Chiotti (1987) attempts to document a direct causal relationship between specific dairy policy and the structural and spatial patterns of industrial milk processing in the province of Ontario.

Figure 2.1: The policy process model



Source: Bowler, 1989

approach is that it focuses attention on the spatial outcome of state intervention. It does not, however, adequately address whose interests have a dominant role in shaping agricultural policy, nor does the approach consider the impact of state intervention on agribusiness corporations.

The examination of agriculture as one part of a broader agri-food system is a relatively recent and minor thematic area in the geographical literature, but it nonetheless serves as a useful 'bridge' from the previous themes to the more critical investigations of the agriculture-agribusiness-state relationship. It is important to note that the demands calling for the need to examine agriculture within the broader agri-food system represent, in part, a response to the growing disenchantment over the narrowly descriptive approach that characterizes most of the earlier literature in agricultural geography (e.g. Bowler, 1984; Wallace, 1985; Bowler and Ilbery, 1987). Furthermore, this interest has also been influenced by the relatively recent corresponding recognition by the state that agriculture is just one part of the agri-food chain. The Federal government's Report on the Federal Task Force on Agriculture (1969), for example, clearly defined the Canadian agricultural system within a broader context.

Although rural geographers examining the industrialization process recognized that agriculture occupied just one stage in the food 'chain', the agri-food system beyond the farm-gate, or agribusiness, has seldom received specific attention. Given that the structure and behaviour of agri-food corporations has been a dynamic process that has coincided with the industrialization of agriculture, it is not surprising that at least one geographer has lamented that "the relative neglect of agribusiness research by geographers is hard to justify and overdue for remedy" (Wallace, 1985; p. 497). The examination of the broader agri-food system basically shifts the focus of inquiry from agriculture to the 'agribusiness' component downstream along the food 'chain', specifically towards the firms engaged in off-farm activity.

First described in the literature by Davis and Goldberg (1957), the term 'agribusiness' can be defined as:

the sum total of all operations involved in the manufacture and distribution of farm supplies; production operations on the farm; storage; processing and distribution of farm commodities and items made from them (p. 3).

Although this definition includes the production operations on the farm, the term 'agribusiness' is often used in the agri-food literature in reference to the firms engaged in the manufacture of agri-inputs (e.g. fertilizer, machinery, pesticides, etc.), food processing (and packaging), and distribution (wholesaling and retailing). 'Agribusiness' has also been used in the agri-food literature to describe a method of production that involves the vertical integration (through direct corporate ownership) of agriculture, by large (and often multinational) corporations (Newby and Utting, 1984), and typically to plantation-type agricultural production in developing countries (Burbach and Flynn, 1980).

In terms of empirical inquiry, there is a growing body of literature that attempts to document the structure and behaviour of agri-food corporations, particularly describing how agribusiness is becoming increasingly concentrated in location and ownership. Much of this literature is provided by economists, although geographers have occasionally

documented the trend towards oligopoly in the agri-food sector as a secondary consideration to their principal focus of inquiry (e.g. see Smith, 1980; Gough, 1984; and Sundstrom, 1984). Research that focuses primarily upon non-farm activity within the broader agri-food system, however, tends to lie outside of the geographical discipline, from which there is growing evidence to support the argument that the process of consolidation in the agri-food sector is a common trend in developed countries, including Canada (Mitchell, 1975; Warnock, 1978), the United States (Connor, 1980; Connor and Marion, 1985), and the United Kingdom (Burns, et. al., 1983).

A second area of investigation attempts to consider the "centralization of power in the overall agricultural system" (Heffernen, 1982; p. 341), by examining the marketing linkages between producers and agribusiness. At the farm level, this has involved empirically documenting the proliferation of vertical integration from the agribusiness sector into agricultural production. The growth of vertical integration, through either direct ownership of production or by contractual agreements, has made it necessary for rural geographers to consider the 'totality' of the food 'chain', in order to fully understand agricultural activity (Bowler and Ilbery, 1987). While representing a formal linkage between agriculture and agribusiness, vertical integration offers a number of characteristics that should be of interest to geographers studying the agri-food system, especially from a broader theoretical perspective. For example, the growth of market oligarchy and vertical integration tends to promote the geographical concentration of production (Newby and Utting, 1984), whereas the inability of industrial capital to penetrate into agricultural production may force agribusiness firms into horizontal integration (through mergers and acquisitions) or into vertical integration beyond the farm gate (e.g. from processing into retailing) (Roy, 1972). In response to the significance of vertical integration in the agri-food system and the conceptual opportunities that it offers, Smith (1980, 1984) and Shaffer (1980) have attempted to document and conceptualize the spatial dimensions of these relationships.

The documentation of both the extent of oligopoly and vertical integration have been minor research areas within the geographical agri-food literature, and the contributions by geographers have only begun to scratch the surface of the agriculture-agribusiness relationship. By comparison, rural sociologists have preferred to consider the broader agri-food system from a more critical theoretical perspective, specifically from a political-economy approach. Moving beyond simple description, the adoption of a broader theoretical perspective has enabled a growing number of rural sociologists to critically address the question of how agribusiness firms acquire control over the other sectors of the agricultural system, by considering the power structure between the various competing components along the production process (e.g. see Buttel and Newby, 1980). With respect to vertical integration, for instance, a more critical interpretation argues that the absence of direct corporate ownership of agricultural production does not inhibit the ability of agribusiness corporations to exert control over agriculture in other ways:

The corporations have preferred instead to work their transformation by proxy, abjuring large-scale involvement in farming itself but controlling the conditions under which farmers operate. In Britain, the tendency is for farmers to become the outworkers of major agribusiness companies (Newby and Utting, 1984; p. 272).

In this case there begins to be a conceptual differentiation between farmers and agribusiness corporations along the food 'chain'; using an industrial analogy, in modern industrialized agriculture farmers become the workers for agribusiness. It is in this broader conceptualization that the power and structural relationships between the different sectors of the production process become the principal focus of inquiry. This shift in emphasis from the descriptive to the theoretical, underpins the emergence of a political economy approach as the foundation for more critical research concerning the nature of the role of agribusiness and the state in shaping the structure of modern agriculture.

Recent contributions within agricultural geography, however, have specifically emphasized that the investigation of agricultural activity requires the adoption of a broader

conceptual and theoretical framework, particularly in terms of explaining the role of agribusiness and the state in shaping the structure of modern agriculture (see Bowler, 1984; Wallace, 1985; Cloke and Little, 1987; Bowler and Ilbery, 1987; and Bowler, 1989). A broader and more critical theoretical framework to investigate the relationship between agriculture, agribusiness and the state represents the convergence of two areas of inquiry. First, the incorporation of a broader conceptualization of agriculture and agribusiness within the agri-food system; and second, the incorporation of more critical theories of the state. Combined, they form the basis for a political-economy approach to provide insight into the relationship between agriculture, agribusiness and the state within two interdependent processes: (i) the role of agribusiness and the state in influencing the agricultural policy-making process, and (ii) the role of agribusiness and the state in shaping the structural and spatial patterns of agriculture.

A political-economy approach enables geographers to move beyond the positivist tradition in agricultural geography and consider a broader range of theoretical matters, such as class and power relations within the food 'chain'. While the application of this approach to agricultural geography awaits further theoretical and methodological development, Bowler (1989) provides a definition of political economy that serves as a useful starting point in terms of developing a critical approach to investigate the agri-food system. Political-economy is a methodological perspective that:

recognizes the dialectical interaction between political and economic systems: markets are structured by the political decisions and actions of various agencies of the state; they, in turn, are influenced and constrained by external groups whose power is related to their structural position in the economy as well as to the strength of their political organization (Bowler, 1989; p. 389).

This definition is particularly useful as a means of integrating structural change in agriculture with the policy-making process. These two processes, which represent how agribusiness and the state work together to control the agri-food system, are explicitly intertwined. In simple terms, the position (along the food 'chain') of producers vis-a-vis

agribusiness is structured by policy and other agencies of the state (e.g. agricultural research stations, agricultural colleges, etc.); they, in turn, are influenced by external groups whose power is directly related to their economic and political position in the agri-food system, namely agribusiness corporations and large scale industrialized producers. This dialectical relationship basically results in a reinforcing process whereby state policy and its agencies tends to promote, and are influenced by, a modern agricultural system that is becoming increasingly more industrial in its organization and further controlled by agribusiness interests.

2.2 Theoretical models of the state:

From a review of the agri-food literature, a common characteristic is that most agricultural-economists and agricultural geographers have generally placed a great deal of emphasis upon the positivist traditions of empirical analysis; consequently, their interpretation of the state-agriculture relationship tends to fall within the pluralist theory of the state. In recent years, however, this perspective has fallen into disfavor amongst a growing number of rural sociologists and rural geographers. There has been a distinct trend, since the mid-1970s, towards moving beyond the positivist tradition to draw upon the political-economy literature in order to develop a more critical conceptualization of state intervention in agriculture. While Bowler (1989) notes that "no consensus is available... on how to conceptualize the state in agriculture" (p. 387), it is common for researchers investigating state intervention to place their research within the context of one or a combination of three general perspectives: the pluralist, elitist, and structuralist theories of the state. Each perspective will now be discussed, including their epistemological underpinnings, their application to the policy-making process and (where applicable) their relationship to the changing structural and spatial patterns in agriculture.

Pluralism:

From the pluralist perspective power within the state (and the policy-making process) is shared by numerous groups throughout society, representing diverse and potentially competitive interests, with government institutions acting in a neutral manner to resolve conflicts (Dahl, 1967). State intervention through government policy is viewed as having the intent to correct structural defects by guiding the market system towards a 'mythical equilibrium' (Bowler, 1989). Given that the pluralist approach is bound up in the positivist tradition of empirical enquiry, it is not surprising that pluralism is the predominant approach that permeates throughout most of the agricultural-economic literature, and most analyses of rural planning and policy making (e.g. see Lang, 1989).

Pluralist interpretations never question the inequity of power and income in society; questions that lie at the heart of the more critical approach of class analysis. With respect to the agri-food system, the pluralist perspective has a number of limitations, from which two examples are worth noting. First, this interpretation bypasses the questions of on whose behalf and why the state intervenes? Is agribusiness simply the "friend of the farmer" (Norry, 1985), working with agrarian interests in a co-operative manner, and is the overall objective of government intervention to simply help the farming community (Haslett, 1985)? If one adheres to a pluralist perspective, then it is assumed that an autonomous state will act in a neutral manner while mediating conflict within the agri-food system (e.g. see Garner and Richardson, 1979). In the U.S. context, however, there is growing evidence to suggest that the state does not act in a neutral manner with regards to agricultural policy (see below).

The neglect of power and income is also common in the pluralist treatment of the market linkages between agribusiness and agriculture. The 'vortex model' as proposed by Smith (1980; 1984) and Shaffer (1980), for instance, does not adequately address inequities in the system. While Smith (1980; 1984) is vague about the details of how the

state interacts with the key processes of 'exit' and 'voice', the 'vortex model' clearly neglects class distinctions amongst producers and processors. The model does not incorporate class distinctions between farmers when describing who 'exits' from production and who can successfully articulate their 'voice' by negotiating a contract with a major food processor (see Alford and Friedland, 1985; and Bowler, 1989).

Elitism:

The elite perspective has its roots in the 1950s, when some academics began to question the nature of democracy and the existence of a truly classless structure in American society. For example, Mills (1956) represents an early substantive investigation that documents the 'omnipotent' unified elite in the United States, who are powerful enough to control and dominate the disunified and fragmented masses. Within this perspective, all persons are not created equal, and not all individuals have an equal voice in the democratic process. Instead, government policy (if not society at large) is controlled by 'juristic persons' or 'corporate actors', who are identified by having a 'privileged' position in society, although this position is not solely based upon economic class. Although Mills' observations were based on the U.S. example, this interpretation may equally apply to Canadian society, despite the generally accepted belief that the socio-economic structure in this country is more egalitarian than in its southern neighbour.

An important characteristic of the elite perspective, and its many variations, is the distinction between 'elite' and 'class' analysis as the focus of inquiry. Research by Porter (1965), who documents the extent of social class and power in Canada, helps clarify this important distinction. Porter begins his analysis by partially rejecting the presence of class conflict in Canada, basing this rejection upon the ambiguous distinction that exists in post industrial society between those who own the means of production (including property owners) and those who sell their labour power (including non-property owners). Consequently, the focus is on 'elites', although economic status underlies the

categorization process. For example, elites are classified as: the dominant corporations (including interlocking directorships), the labour elite, the political elite, and the bureaucratic elite.

Within the policy-making process, proponents of the elite approach often focus upon either organizations or key individuals as having substantial influence over public policy.² In the agri-food literature, however, researchers tend to ignore the role of managers, preferring to focus their attention towards the ability of organizations, and well organized food lobbyists in particular, to influence agricultural policy (Marsh, 1983). Certainly there is a large number of food lobbyists, representing the complete spectrum of the agri-food system, that are active in their efforts to influence agribusiness policy in the U.S. (Guither, 1980); yet, the quandary that must be solved concerns identifying which of these 400 groups are most successful. As Stockdale (1982) openly questions, do industrial and financial interests dominate food and agricultural policy, or is policy dominated by farmers and their representatives? According to Houck (1986), the answer is that agrarian interests form a strong lobby group due to the "special, often mystical relationship between people and land that pervades virtually every political or social system" (pp. 25-26). This view is substantiated by Malcolm (1983) and Stocker (1983), who argue that the National Farmers Union in the United Kingdom has had a disproportionate share of influence over the Ministry of Agriculture, Fisheries and Food, whereas lobby groups from business interests have had limited control.

The success of the agrarian lobby to influence agricultural policy is certainly not universal, and may differ between developed countries. In contrast with the 'mystical' power of agrarian interests, Morgan (1979) clearly documents that business and commercial interests have generally dominated lobbying around the farm bills in the United

² Variations of the elite perspective include the managerial and corporatist approaches. Wickens (1963) is an early example of the managerial perspective, who emphasizes the power exerted by managers and professionals in major corporations and bureaucracies.

States. These seemingly contradictory assessments of which lobby groups dictate food policy may, in part, be explained by geography. For example, the National Farmers Union has had a long history of influencing agricultural policy in the United Kingdom (Bowler, 1979), whereas in the United States, the American Agricultural Movement has generally been unsuccessful to orient policy away from agribusiness and towards the family farm (Sinclair, 1980). A partial explanation may also lie within the particular biases of the researcher, since contributions from the business-economic literature (e.g. see Houck, 1986; and especially Malcolm, 1985, and Stocker, 1983) completely ignore the broader agri-food system or the role of agribusiness in the policy-making process.

In recent years the elite perspective has taken a modified form to encompass the 'corporatist' interpretation of the policy-making process. Like its 'elite' counterpart, the corporatist perspective, be it 'liberal corporatism' (Lehmbruch, 1977) or 'societal corporatism' (Schmitter, 1974), rejects the pluralist view of policy formation, and emphasizes the input from large interest organizations that represent specific segments of society. 'Liberal corporatism' is defined as:

an institutionalized pattern of policy formation in which large interest organizations co-operate with each other and with public authorities not only in the 'articulation' (or even intermediation) of interests, but - in its developed forms - in the 'authoritative allocation of values' and the implementation of such policies (Lehmbruch, 1977; p. 94).

Essentially, organizations are grouped into a limited number of compulsory, hierarchically ordered, and functionally differentiated categories. These organizations are officially recognized by the state and are granted special privileges, including institutionalized representational monopoly amongst their membership, in exchange for observing certain controls on their selection of leaders and in the articulation of demands and supports (see Bowler, 1989; and Schmitter, 1974).

In many ways corporatism provides a less 'idealized' and more 'realistic' view of how interests are articulated and policy formed in western democracies. At one level, the

corporatist approach can certainly be applied to describe the policy-making process in the agri-food system of most developed countries (see Streeck and Schmitter, 1985). In North America and Western Europe, for example, it is quite common for dairy policy to be negotiated through state intervention, whereby there is equal representation from both producers (organizations or marketing boards) and agribusiness (e.g. processor associations). Although a key aspect of 'liberal' corporatism is the importance of consensus building in the articulation of interests, there still remains some uncertainty whether the approach provides a sufficient explanation for the policy-making process. Consensus building notwithstanding, corporatism has been challenged by advocates of the structuralist perspective, since the approach fails to recognize that the state may intervene in order to influence the interests of capital over those of labour (Alford and Friedland, 1985; and Bowler, 1989). Moreover, Schmitter (1974) eventually concedes, almost reluctantly, that corporatist arrangements have been established in order to legitimize the system and ensure capital accumulation; a function of the state that is one of the major tenets of the structuralist perspective. Proponents of the structuralist approach have subsequently argued that while the elite or corporatist approach is an improvement from the pluralist interpretation in describing the policy-making process, it ultimately falls short in terms of providing a sufficiently 'critical' explanation.

Structuralism:

Structuralist theories of the state have their roots in the writings of Marx, Lenin and Weber; specifically in their theories of class, bureaucracy and state power. In its most basic form, the structuralist approach (which is also known in the literature as the 'class analysis' approach) makes a clear distinction in society between workers and capitalists, while arguing that state intervention serves the interests of the capitalist class. Work by Miliband (1969) and Poulantzas (1972) helped to clarify the relationship between state and society,

but there is still considerable debate over what actually constitutes an all encompassing structuralist approach. This is especially true in the agri-food literature that follows a political-economy perspective, as there are considerable differences of opinion in terms of identifying a clear division of labour along the food 'chain'. This conceptual difficulty is a major problem that underlies the political-economy interpretation of both the policy-making process and changes in the structural and spatial relationships between producers and agribusiness. While it is well beyond the scope of this thesis to articulate a definitive structuralist approach for capitalist agriculture, a few examples will be drawn from the literature to illustrate some of these conceptual problems.

A useful starting point for defining a structuralist approach for modern agriculture is the identification of two central tenets of class analysis. The first tenet is that an individual's relative power in society is best explained by understanding a person's relationship to the means of production; in other words, a clear understanding of one's ability or inability to dispose of labour--one's own and that of other's (Doern and Phidd, 1983). In a theoretical context, within industrial society this has typically involved differentiating between those who own the means of production (capital or property owners) and those who dispose of their own labour (workers and non-property owners).

Unfortunately, such a distinction is somewhat blurred in an agricultural context. If class is defined on the basis of property ownership (see Hedley, 1981a), then as property owners family farmers are classified as 'independent capitalist-producers' (Mitchell, 1975), and consequently are members of the petite bourgeoisie class. However, since they also sell their labour power to others (as the primary producers along the food 'chain'), they are likewise defined as 'semi-proletarian' or 'mercantile peasants' (Warnock, 1971). Similarly, if class is defined on the separation of capital and labour (see Ehrensaft, 1983), that is the separation of operators (owners and managers) from a hired labour force, then one faces the problem of determining at which point the 'family farm' stops exploiting their own family labour and begins exploiting the labour of others. In most of the agri-food literature,

these ambiguities tend to be resolved through avoidance, by simply differentiating the division of labour between agribusiness corporations (industrial capital) and agricultural producers (labour), or in the agricultural sector between the small, marginalized 'family farm' and the vertically integrated (and agribusiness owned) 'corporate farm'.³ While these basic distinctions are useful in terms of pragmatism, they inadequately consider the full spectrum of definitions, nor the subtle conceptual nuances that are associated with differentiating the 'family farm' from 'agribusiness'.

The second tenet of class analysis concerns the functions of the state. Following Cloke and Little (1987) and Bowler (1989), the three main functions of the state are:

(i) to sustain private production and foster capital accumulation; e.g. tax breaks for agribusiness corporations, subsidies for agricultural producers, and public investment in infrastructure;

(ii) to reproduce labour power and foster social harmony through 'legitimizing' activities; e.g. social policy: the whole apparatus of welfare, health and unemployment insurance programs; and

(iii) to coerce or otherwise maintain or impose social order; e.g. through the activities of the military, the police and other agents of the state (see also Doern and Phidd, 1983).

Political-economy research into the agri-food system tends to focus upon the state's role in fostering capital accumulation and 'legitimizing' activities, although even in this case there is some ambiguity in terms of categorizing instruments of agricultural policy into specific functions of the state. Bowler (1989), for example, focuses upon the first function, arguing that the state can intervene in the economy at two levels: at a corporate level in favour of particular capital interests, through market regulation or by providing agricultural subsidies; and at a competitive level, by providing agricultural services such as education and research. Sinclair (1980), meanwhile, describes marketing boards as performing a

³ Most distinctions seem to follow the general rule of differentiating farms in terms of size and ownership. For example, a distinction between 'family farm' and 'corporate farm' (Robbins, 1974), 'Bigness' and 'Corporate-ness' (Hart, 1975), 'vertical integration' and 'Agribusiness' (Greene), and the 'family-farm' and 'agribusiness' (Newby and Utting, 1984).

'legitimizing' function, created during periods of severe economic crisis and acting to facilitate the continued accumulation of resources within the economic system.⁴ In this context, agricultural policy instruments such as subsidies or marketing boards serve to foster both capital accumulation and the reproduction of labour power.

Given some of the conceptual ambiguities that are inherent to the structuralist perspective, it is not surprising that at least one geographer has observed that "no single structuralist theory of the state has emerged, nor has one been articulated for capitalist agriculture" (Bowler, 1989; p. 388). The avoidance of these conceptual problems may in fact help explain why a majority of the broader agri-food literature (especially amongst agricultural-economists) adheres to a narrowly descriptive approach within the pluralist perspective, despite recent calls for the incorporation of broader theoretical approaches. However, in recent years there have been a few significant efforts in the geographical agri-food literature to combine more critical theoretical concepts with empirical evidence; in particular, the incorporation of a core-periphery framework to investigate the Australian agri-food system (Fagan and Rich, 1986), and the incorporation of 'uneven development' as a central concept to unify the political economy approach to the understanding of agricultural development (Marsden, et. al., 1987).

2.4 Theories of the state and agricultural policy in Canada:

The last issue to be addressed concerns the applicability of broader theories of explanation to Canadian agricultural policy. While it is beyond the scope of this thesis to present a comprehensive analysis of the large body of literature that pertains to the political-economy of Canada, a few key references deserve mention to help illustrate the applicability of broader theories of explanation to Canadian agricultural policy. Overall,

⁴ The interpretation of marketing boards as a form of legitimation, draws upon the critical research examining the fiscal crisis of the state that began in the early 1970's, and was experienced by most western democracies. The research by O'Conner (1973), Habermas (1975) and Offe (1976) is particularly useful in this context.

there is ample evidence in the literature to suggest that such an analysis is indeed appropriate, if not long overdue.

From an elite perspective, the accounts by Clement (1975) and Newman (1975) on the corporate concentration of economic power, and the classic work by Porter (1965) investigating social class and power in Canada, suggests that corporations and corporate elites have long enjoyed a significant degree of control over the Canadian economy. How much influence corporate elites have over the state in Canada is subject to debate, yet there is considerable historical evidence to suggest that the state and business have worked closely together, at both the federal (see Traves, 1979) and provincial (Nelles, 1965) levels of government, to promote the interests of business or at least provide the necessary infrastructure for the expansion of the economy.

The class analysis perspective in the study of Canadian public policy had only begun to take a prominent position in the literature during the 1970s, although research by McPherson (1953) and Lipset (1950) examining the political-economy of Alberta and Saskatchewan are two early examples of such an approach. Contributions by Panitch (1977; 1981), in a contemporary context, and by Finkel (1979), in a historical context, suggests that the class analysis approach has considerable merit in terms of explaining the evolution of public policy in Canada; a view that has received moderate support from at least two prominent contemporary political scientists (Doern and Phidd, 1983).

In a historical-agricultural context, the work by Fowke (1946) and Finkel (1979) illustrates that there has been a close relationship between business interests and the state in shaping agricultural policy in Canada, especially during the depression and the immediate post-WWII period. Their contributions serve to underscore the need for a more critical analysis of the contemporary agri-food system in Canada. Unfortunately, while there have been a few non-geographical investigations of the Canadian agri-food system, none of these contributions provide a comprehensive account of the roles of both agribusiness and the state in shaping agricultural policy. However, the evidence provided in this secondary

material nonetheless suggests that there is ample opportunity for a broader theoretical analysis of the agricultural policy-making process. For example, the evidence, albeit somewhat dated, provided by Mitchell (1975) and Warnock (1978), clearly illustrates that the Canadian agri-food system during the 1960s and 1970s was highly politicized and dominated by corporate oligopolies in various agribusiness sectors. Furthermore, recent studies by Forbes (1985), Fulton (1987), Skogstad (1987) and Wilson (1990) provide considerable evidence to support the claim that contemporary Canadian agricultural policy is influenced, if not dictated, by broad political and economic forces, including special interest groups.

Perhaps the clearest illustration of the Canadian agri-food system's applicability to broader theoretical investigation can be found in two government reports that documented agriculture on a national and provincial (Ontario) basis, in 1969. On a national basis, the 1969 Federal Task Force on Agriculture, which was largely comprised of businessmen and agricultural-economists, represented the first substantive attempt to document the Canadian agri-food system, including the role of the state and agribusiness firms. In their report Canadian Agriculture in the Seventies, the agricultural system in Canada was defined as being composed of the following mutually dependent parts:

Manufacturers, distributors and sellers of farm and agribusiness input products and services; farms, farmers, and farm labour; farm product marketing boards and sales agencies; farm product transporters, handlers and storage agents; food processors, food product distributors, wholesalers, and retailers; other food outlets such as institutions, hotels, restaurants; consumers; governments; research and educational institutions and the many organizations representing farmers, agribusiness, researchers and others involved in agriculture (Report of the Federal Task Force on Agriculture, 1969; p. 4).

In this broad definition, the report clearly outlines the breadth, scope and complexity of the contemporary Canadian agricultural system. Moreover, while the Task Force Report clearly reflects an awareness of a broader agri-food system, it also noted that most of the participants were in conflict.

Of particular interest, is the Task Force recognition that government, agribusiness and farmer organizations, all have a role in the formulation and implementation of agricultural policy (see Report of the Task Force on Agriculture, 1969; chapter 11). The participation of government, agribusiness and agrarian organizations in the policy-making process is especially relevant to the early 1970s, which was characterized by a dramatic increase in state intervention to solve the chronic problems experienced by the agricultural sector, e.g. surpluses, low prices, inadequate producer incomes, and the inefficient utilization of human resources. State intervention typically took the form of stabilizing incomes, through the introduction of marketing boards or various stabilization plans, in an effort to eradicate these problems (see Skogstad, 1987; and Fulton, 1987).

From a structural basis, the key recommendations of the report called for a dramatic reduction in farm numbers, and the encouragement of a more efficient agricultural system, that should become increasingly integrated with the demands and needs of agribusiness (see Troughton, 1989). The state's desire to radically restructure the agricultural system in Canada is also reflected in the 1969 provincial report The Challenge of Abundance, which represents a government investigation of the chronically depressed farm incomes in Ontario. As in its national counterpart, the provincial report called for greater technological change in agriculture, the introduction of marketing boards, and the desire to maximize the number of farms of efficient size in the industry.

While the significance of the Federal Task Force report on agricultural production will be considered in greater detail in chapter 3, it is important to note that the impact of this policy statement extended far beyond agricultural activity. As Skogstad (1987) explains, the report helped raise the profile of agriculture in the 1970s, and clearly politicized the agricultural policy-making process. Basically, producers became increasingly politically mobilized, in response to the state's intention to restructure agricultural production. Consequently, the National Farmer's Union, who have historically represented the small scale mixed family farm, was formed on a national basis in 1969. This was followed a year

later with the establishment of the Pallister Wheat Grower's Association, a 'conservative' organization that has historically represented large-scale specialized producers. By the beginning of the 1970s, therefore, it was possible for numerous interests groups to participate in the policy-making process.

2.4 Conclusions:

Over the past two decades the investigation of the agri-food system in the geographical literature has evolved from the earlier descriptive studies of agricultural production, to the more recent efforts that incorporate both a broader conceptualization of the entire production process and more critical theoretical approaches. This change has been rather dramatic, as the discipline has shifted its focus of inquiry from a description of agricultural regions, particularly on a farm-by-farm basis, to recent contributions that investigate the agri-food system from a political-economy approach. In the latter case, this approach is emerging as one of the foundations for future critical research that examines the role of agribusiness and the state in (i) influencing the policy-making process and (ii) shaping the structural and spatial patterns of agriculture.

Given this evolution in the discipline's focus of inquiry, the primary objective of this thesis, to analyze the differential development of the evolving policies and institutional arrangements in the dairy and beef livestock sectors in Canada, closely parallels the recent conceptual and theoretical developments within the agricultural geographical literature. Of particular relevance is an investigation of how agribusiness, the state and producer organizations have influenced Canadian agricultural policy. While there is a growing body of literature to suggest that elitist and structuralist theories of the state provide useful explanations towards our understanding of the public policy-making process in Canada, comparable investigations in an agricultural context have yet to be undertaken. This void in the literature exists, despite the fact that the contemporary agri-food system in Canada illustrates characteristics which clearly suggests that such an analysis is applicable, if not

long overdue. To further substantiate this claim, the discussion will now address the evolution of agricultural policy in Canada, with specific emphasis upon the role of marketing boards.

Chapter 3: Policies and institutional arrangements in the Canadian agri-food industry

3.0 Introduction:

As in most developed countries, agricultural policy in Canada has a long and diverse history, with state intervention ranging from routine functions, e.g. testing and inspection, agricultural research stations, and the extension services through agricultural colleges, to more specific policy, e.g. the erection of tariff barriers to support domestic agricultural producers and processors, or the establishment of the various national marketing agencies. In contemporary terms, the pillars of agricultural policy in Canada are: (i) the stabilization of producer prices and incomes; (ii) the marketing of commodities through marketing boards¹; and (iii) transportation subsidies (Skogstad, 1987).

There is little doubt that of all of these types of agricultural policy instruments, marketing boards represent the most noticeable, if not the most controversial example of state intervention in the Canadian agri-food system. In comparison with other developed countries, the application of commodity marketing boards in Canada is extensive; in fact, on the international scene, Canada is unique in both the number of marketing boards and the scope of their authority. While agri-food representatives visiting from other developed countries have frequently expressed astonishment, if not praise, to marketing boards in Canada, this policy instrument is not always endorsed by the international community. Recent GATT negotiations, for example, clearly illustrates the variability of international opinion towards Canadian marketing boards. On the domestic scene, when compared to all other instruments of agricultural policy, marketing boards have received the greatest attention, and are frequently subject to scrutiny from consumer groups, economists, members of the business community, politicians and from the producers themselves.

¹ Fulton (1987) differs from Skogstad (1987), by defining marketing boards as an example of stabilization policy.

Despite the interest directed at marketing boards and the substantive amount of research that has been undertaken to investigate their role and impact, most of the research emanates from agricultural-economics, and tends to focus upon the inefficiencies or welfare costs associated with this policy instrument.² Given the inherent biases that underlie the neoclassical economic and efficiency oriented views of most agricultural-economists (Wilson, 1989), it is perhaps predictable, but nonetheless disturbing, that few researchers have attempted to measure the social benefits of marketing boards, or provide a critical explanation for their evolution. A review of the agri-food literature suggests that a common feature of such interpretations is a preoccupation with producers and consumers, and a failure to recognize the role of marketing boards, and especially their creation, within the context of the broader agri-food system. Few studies, for example, examine the role of the state and agribusiness interests in the policy-making process that results in either successfully or unsuccessfully establishing a marketing board to regulate a specific agricultural commodity. Moreover, few opponents of marketing boards attempt to adequately consider the impact of this policy instrument upon the agribusiness firms operating beyond the farm gate.

This chapter attempts to address some of these shortcomings. The discussion emphasizes that a broader conceptualization of the agri-food system is needed in order to improve our understanding of the reasons underlying the differential development of policies and institutional arrangements in the Canadian dairy and beef livestock sectors. The discussion is organized into five principal sections, beginning with a brief definition and description of the various types of marketing boards. In section 2, the discussion provides an outline of their historical development, specifically the history of the Canadian Wheat Board (CWB), and a review of the current extent of marketing boards in Canada. The

² In a dairy context the most extensive literature originates from agricultural economists. Pfeiffer and Longson (1978) and Lane and Fox (1981) provide useful bibliographies that illustrate the extent of this literature.

discussion then turns its attention to the theoretical dimensions of this policy instrument in Canada. In section 3, it is argued that the standard 'pluralist' interpretation of the purpose and origins of marketing boards has merit, but is ultimately insufficient to explain their uneven historical development. Alternative views that focus upon geographical, geopolitical, structural, ideological and economic differences between producers are briefly evaluated in section 4. While such interpretations also offer considerable insights, the main contention is that a broader understanding of economic class and marketing linkages is needed, particularly in the context of the dairy and beef livestock industries in Canada. Lastly, after presenting a brief overview of the literature that examines marketing boards within the context of the broader agri-food system, the discussion draws upon historical and contemporary investigations of the agricultural policy-making process, to substantiate the applicability of broader theoretical approaches in the investigation of the dairy and beef livestock industries.

Essentially, it is argued that a political-economy approach which incorporates the convergence of ideology and economic interests between large scale producers, the state, and agribusiness firms, helps provide a more critical explanation for the uneven historical development of marketing boards in Canada. Central to the argument is that two aspects of marketing boards deserve greater critical assessment within a broader conceptual framework, namely: (i) the role of the state and agribusiness interests in dictating the form of marketing board legislation vis-a-vis the position of large scale producers; and (ii) the ability of agribusiness interests to control the farm and non-farm components of the agri-food system with the aid of, or in spite of, marketing board legislation.

3.1 Marketing boards in Canada:

A marketing board is defined as:

a compulsory horizontal organization for primary and processed natural products operating under government delegated authority. The compulsory feature means that all farms producing a given product in a specified region

are compelled by law to adhere to the regulations of a marketing plan. The horizontal aspect means that marketing boards control the output of all farms participating in the particular marketing scheme and that they aggregate the supply from all farms up to a chosen or permitted level. Government authority through legislation is essential to achieve the required compulsion. The power of the boards utilizing this authority is generally wide enough to affect the form, time and place of sales and directly or indirectly, the prices (Hiscocks, 1972; p. 20)

While all marketing boards have the authority to license producers and collect license fees to cover their administrative costs, their delegated powers vary from board to board (and commodity to commodity). Basically, there are four types of marketing boards, which can be classified as follows:

Promotional: boards that are restricted to organizing and financing research and promotional programs aimed at stimulating demand for their product;

Negotiating: boards that are authorized to negotiate terms and conditions of sale (including the producer price) of the regulated commodity;

Agency: boards that require the product to be marketed through the board. This means that the local board pays the producer and collects from the buyer to whom the regulated product has been delivered. These boards usually have the authority to set the price the producer receives; and

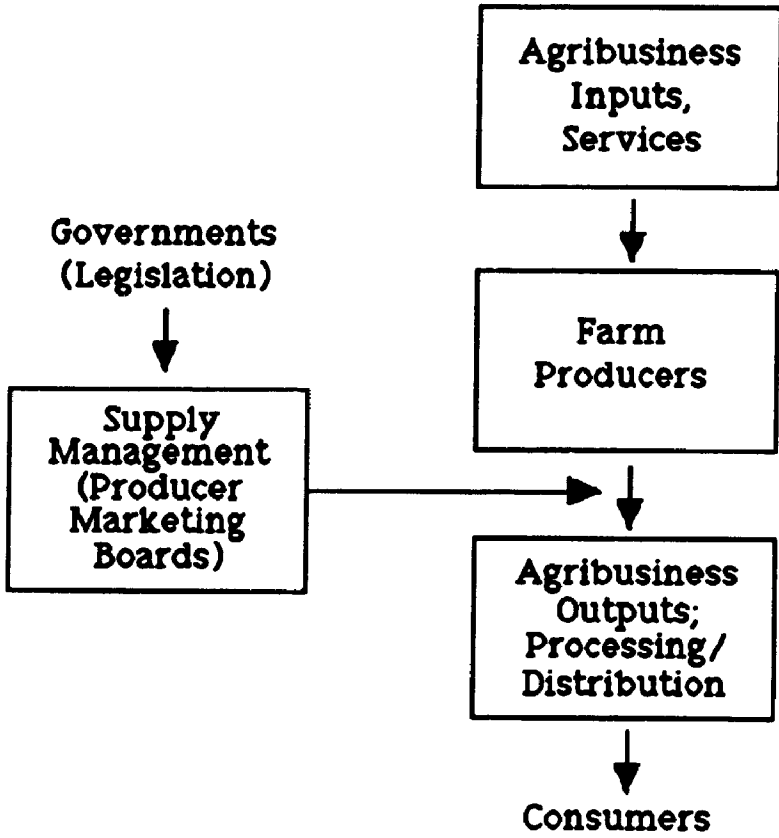
Supply Management: boards that have the authority to exercise control over the quantity of product that is marketed and the methods of marketing. This power is exercised through the allotment of a quota to the individual producers. Supply management boards usually have the powers associated with agency type boards (Lane, 1982; p. 2).

Marketing boards can thus be distinguished in terms of their delegated powers, and their role in facilitating and regulating sales between producers and processors, with promotional boards having no input into the price discovery process and supply management having the greatest control over production and the farm-gate price of the commodity. Although agency and supply management boards are often criticized for causing high consumer prices of their regulated commodities, marketing boards in Canada do not have the power to actually set prices at the retail level, which are largely determined by the marketplace.

In terms of why marketing boards exist, the agricultural-economic literature tends to focus upon the benefits for producers, while ignoring the demands for state intervention from other sectors of the agri-food system. Even though the Canadian agricultural system is made up of many dependent parts, e.g. producers, agribusiness, research institutions, etc., the development of marketing boards is typically explained in relation to the demands of producer interests, and in isolation of the needs of agribusiness. In this context, the standard interpretation for the development of marketing boards is that they function as a means of countervailing power against the oligopolistic agribusiness sectors that control the input and output sectors of the production process (see figure 3.1). According to Perkin (1962), for instance, compulsory marketing boards are sought by producers for three primary reasons: (i) a desire for higher prices; (ii) a desire for more stable prices; and (iii) a desire to improve the bargaining position of agriculture, vis-a-vis agribusiness firms engaged in processing and distribution (see also Hiscocks, 1972; and Haslett, 1985). With the development of supply management boards in the mid 1960s and early 1970s, the elimination of unwanted surpluses and the balance of supply with demand on a provincial and national basis have been significant reasons for this extreme type of policy instrument.

While this suggests that the basic objectives of marketing boards are simply to stabilize the price and raise the overall price per unit of the farm product, this view ignores the benefits from a steady and reliable flow of product that accrue to processors, distributors, retailers, and ultimately consumers. Similarly, board goals may be broader in scope, but the agri-food literature seldom considers how these goals may impact the agri-food system beyond the farm gate. For example, according to the Ontario Ministry of Agriculture and Food (OMAF), the goals of marketing boards may include a combination of the following:

Figure 3.1: A model sequence of the Canadian agri-food system



Source: Troughton (1989)

1. adequate prices and incomes for their producers;
2. greater stability of producer prices and incomes;
3. equitable treatment of individual producers in terms of market access and price;
4. improved efficiency of the marketing system;
5. market development, both domestic and export;
6. improved quality of the regulated product;
7. maintaining the family farm; and
8. protection against competition from imports (Lane, 1982).

While these goals clearly reflect producer demands, Troughton (1987b, 1989) illustrates that the goals of supply management are, in fact, often sought by other sectors of the agri-food production process. Furthermore, the fact that these goals are frequently in conflict, only amplifies the need to consider marketing boards within the context of the broader agri-food industry.

This preoccupation with producers and the lack of consideration for other segments of the agri-food production process is also reflected in the institutionalized procedure to develop a new marketing plan in Ontario, and in other provinces in Canada. In the Ontario case, the first step begins when a small group of producers of a specific commodity establish a provisional committee, who are then responsible for drafting a provisional marketing plan. If the provisional board is officially recognized by the Farm Products Marketing Board, then the provisional board is authorized to develop a petition to seek the support of the other producers of that particular commodity. If the petition is signed by 15 percent or more of the producers, then a vote will normally be requested by the Farm Products Marketing Board, with the ballot conducted by OMAF. Finally, the vote is assessed by the Farm Products Marketing Board and a recommendation forwarded to the Minister of Agriculture and Food. If two-thirds or more of those exercising their franchise vote in favour of the proposed plan, then the Provincial legislature is legally bound to pass the necessary legislation to bring the board into existence, although the decision can be reversed by the Provincial cabinet (see Lane, 1982).

At this point of the discussion three important points need to be made concerning the procedure to develop a marketing plan. First, the description is essentially normative in its approach, and implies that the procedure takes place without any input from other segments of the production process. Any description that ignores the input from agribusiness firms, or fails to recognize the broader politics of the policy-making process presents a grossly superficial interpretation of reality (see below). Second, the voting requirements tend to vary between provinces, ranging from 51 percent to two-thirds of those eligible to vote, or of those voting (Perkin, 1962). There is historical evidence to suggest that these requirements can be manipulated by specific producer and agribusiness interests, in order to determine the outcome of the vote (see Burge, 1987; McLaughlin, 1987; and Murphy, 1987). Third, this simple procedure does not apply to the development of all marketing boards, as some boards, notably the Ontario Milk Marketing Board (OMMB) and the Canadian Dairy Commission (CDC), were created by an act of provincial and federal parliament respectively, and in the former example was largely a product from the recommendations of a provincial commission of inquiry (Hennessey, 1965).

3.2 The historical development of marketing boards in Canada:

The historical development of marketing boards in Canada can be traced over a 90 year period. Most notable in this development has been the establishment of the CWB and various provincial marketing boards. The discussion addresses the origins of both, within the context of changing producer-agribusiness-state relationships.

The Canadian Wheat Board (CWB):

The single largest marketing board in Canada is the CWB, which is responsible for establishing producer prices and selling on the global market all Canadian production (for export) of wheat and grains. Having recently celebrated its 50th anniversary in 1985, the

CWB has had a long and colourful history and it is an excellent example of producer-agribusiness conflict. Confrontations between these interests were based upon economic competition (primarily over price) and ideological conflict between the free enterprise philosophy of agribusiness and the collectivist (and co-operative) philosophy of wheat producers. Not surprisingly, the struggle to establish and preserve the CWB has been described by Troughton (1989) as "an 'epic' of agricultural history" (p. 372). While the history of the CWB has been documented elsewhere in the literature (e.g. MacGibbon, 1932; Fowke, 1956; and Morriss, 1987), this discussion will liberally draw upon the research by Troughton (e.g. especially 1984 and 1989) and Finkel (1979) to illustrate that conflict between farmers and agribusiness firms can evolve to a point whereby common interests may transcend an antagonistic and confrontational past, in order to mutually seek state intervention.

During the early 1900s, wheat producers initially sought co-operative and political action in the development of marketing pools and the lobbying for state regulation of the wheat trade, in response to pressures from the earliest forms of oligopolistic agribusiness enterprises, specifically the railways (especially the Canadian Pacific Railway), the elevator companies, grain dealers in the Winnipeg Grain Exchange, and eastern industrial suppliers and processors (Troughton, 1984). This early period was characterized by frequent producer demands for compulsory marketing, which resulted in the passage of the Manitoba Grain Act (1900). On a national basis, however, producer demands were repeatedly rejected by the federal government. Despite the passing of the Crowsnest Pass Act of 1897, the state typically upheld the interests of traders on the Winnipeg Grain Exchange and the railway companies.

Towards the end of the First World War, the federal government deemed it necessary to intervene and control the price and export distribution of wheat, to ensure that supply met the increased post-war demand and in anticipation of post-war decline in price. This led to the formation of the first CWB in 1917, which was vehemently attacked by

agribusiness interests (Troughton, 1989). Once post-war demand fell, however, the federal government refused to maintain prices, and in 1920 the state acquiesced to agribusiness demands to dismantle the CWB. By the mid 1920s, producers responded to the withdrawal of government support and challenged the system by implementing their own system of guaranteed prices. By establishing their own co-operative elevator and marketing system, wheat producers were also attempting to successfully compete with the Winnipeg Grain Exchange. By 1929, the Pools handled over 50 percent of the entire Prairie wheat crop.

This system of voluntary co-operative marketing may have persisted, if not for the onset of the Great Depression, which basically modified the attitudes and roles of both government and agribusiness towards the CWB. The voluntary system was completely overwhelmed by a combination of the global economic Depression of the 1930s and the worst drought conditions of the century (Troughton, 1984). Further exacerbating the economic conditions experienced by farmers was the failure to reach a long term international agreement to regulate supply by price controls. Consequently, foreign and domestic demand fell, prices were below the costs of production, the provincially organized voluntary wheat pools went bankrupt, and the whole prairie agricultural system threatened to collapse under the strain of declining incomes, the foreclosure of mortgages and the abandonment of farms.

In response to this crisis, the CWB was eventually firmly re-established in 1935, with the support of agribusiness interests. The re-establishment of the CWB as a temporary measure and the introduction of the Prairie Farm Rehabilitation Act were clearly radical responses by the federal government, but they were deemed necessary by agribusiness interests and the state to alleviate the destructive effects of the Depression. According to Finkel (1979), the shift of business interests towards a marketing scheme was due to the recognition that drastic government intervention was necessary in order to cope with a changed market structure in the industry, and in this context business support merely represented a pragmatic shift in ideology.

Business support, however, quickly wavered in face of increased market opportunities immediately after World War II. The CWB, however, by this time was becoming entrenched as a permanent institution within Canadian agricultural policy. This enabled the CWB to survive a constant barrage of innuendoes as a 'socialist plot' by the private grain trade, while members from the Winnipeg Grain Exchange were unsuccessful to solicit sufficient farmer support against the board throughout the 1940s and 1950s (Morgan, 1979). In the late 1980s, the CWB has again come under attack, although in this case by the major global grain trading companies (e.g. Cargill), competing U.S. wheat producers, and the U.S. Department of Agriculture (Troughton, 1990). However, despite the continued existence of the CWB and various Provincial Pools, Troughton (1989) notes that multinational firms currently dominate the mechanical and chemical farm inputs and are highly involved (e.g. Cargill Inc.) in domestic marketing and food processing.

Provincial marketing board legislation:

In terms of other agricultural commodities, provincial marketing board legislation can be traced back to British Columbia in the late 1920s, but the first significant expedition by the Federal government into regulating agricultural marketing came in 1934, with the passage of the Dominion Natural Products Marketing Act (see table 3.1). The central premise of conventional interpretations of this early period of marketing boards has been that farmer's demands for legislation was in response to (i) the growing power of agribusiness, especially in the processing sector, which underwent considerable (and rapid) consolidation during the 1920s, and (ii) severely depressed prices during the 1930s Depression (Perkin, 1962). In the former context, farmers believed that collective bargaining, via marketing boards, would counteract the oligopolistic position of agribusiness and bring stability to the agricultural industry.

Table 3.1: Major Federal and Provincial (Ontario) Agricultural Marketing Acts

The Natural Products Marketing Act (1934)
 The Ontario Farm Products Control Act (1937)
 The Ontario Farm Products Marketing Act (1947)
 The Agricultural Products Marketing Act (1949)
 The Agricultural Prices Stabilization Act (1958)
 The [Ontario] Milk Industry Act (1965)
 The Canadian Dairy Commission Act (1966)
 The Farm Products Marketing Agencies Act (1972)

Source: adapted from Perkin (1962), Gilson (1973), Skogstad (1987) and Troughton (1987b).

The Dominion Natural Products Marketing Act of 1934, was declared *ultra vires* by the Judicial Committee of the Privy Council, on constitutional grounds concerning provincial-federal relations, but provincial governments quickly followed with their own legislation to pass marketing boards, e.g. the Ontario Farm Products Marketing Act of 1937. The early provincial boards were fragmented along product lines, such as in the Ontario dairy industry with marketing boards established for the producers of cream, cheese, concentrated milk, and fluid milk. Further, these early marketing boards were rather rudimentary in their delegated powers, typically only having the authority to negotiate prices and/or the responsibility for promotion functions; they were also rarely supported by any protective tariff arrangements (Troughton, 1987b).

During the post World War II period, as Canadian agriculture has become increasingly industrialized, agricultural policy, particularly in the form of marketing boards, has matured in response to these concurrent changes in production patterns and methods. By the 1950s, for example, the federal government's commitment to stabilizing agricultural prices became entrenched as a major component of agricultural policy with the passage of the Dominion Agricultural Marketing Act (1949) and the Agricultural Prices Stabilization Act (1958). At the provincial level, there were also two significant developments in regards to marketing board legislation in Ontario. The first successful attempt at supply

management in Ontario came about with the establishment of the Ontario Flue-Cured Tobacco Grower's Marketing Board in 1957, and the enactment of the Ontario Hog Marketing Board one year later, although unsuccessful in regulating supply, explicitly encouraged greater efficiency in production (Troughton, 1987b). Thus, by the end of the decade, the Federal government was beginning to make a firm commitment towards the stabilization of agricultural prices in Canada, and at the provincial level in Ontario some marketing boards were beginning to broaden their authority, while others were establishing a commitment to greater economic efficiency.

The most significant marketing legislation since the establishment of the CWB on a national basis, and the provincial initial marketing boards of the 1930s came about in Ontario's dairy industry, with the creation of the OMMB, via the passage of The Milk Act (R.S.O. 1970, c. 273), in 1965. As recommended by a provincial commission of inquiry (Hennessey, 1965), the newly formed OMMB consolidated three producer boards under the umbrella of supply management throughout the provincial dairy industry.³ With the creation of the Canadian Dairy Commission (CDC) in 1966, the OMMB scheme was soon adopted as the basis for fluid milk marketing by all other provincial governments, and by the early 1970s a federally supported national industrial milk marketing plan was established.⁴ One of the key components of federal and provincial dairy legislation, which was to become synonymous with other supply managed commodities, were provisions to safeguard the industry from cheaper U.S. imports, while regulating the interprovincial trade of fluid and industrial milk products (Troughton, 1987b).

The great success of the OMMB and the CDC combination to stabilize price through supply management and to facilitate the rationalization of the national market,

³ Cream producers remain under the jurisdiction of the Ontario Cream Producers Marketing Board, which is separate from the O.M.M.B..

⁴ All provinces had come on board the national industrial milk marketing plan by the mid-1970s. The exception is Newfoundland, which has a provincial marketing plan for fluid milk, but their farmers do not produce industrial milk for local consumption.

involving the massive reduction in farm numbers and the elimination of the small scale producer, did not go unnoticed by federal policy makers. The Report of the Federal Task Force on Agriculture (1969), whose recommendations have shaped Canadian agricultural policy throughout the past two decades, made a strong recommendation in favour of the Federal government to create other national commodity marketing boards (see the Report of the Federal Task Force on Agriculture, 1969; chapter 12). While it can be argued that such recommendations reflected a strong Federal government commitment to the preservation of the family farm, there is little doubt that the overall theme of the report was for Canadian agriculture to become much more efficient through greater industrialization (see Troughton, 1989; and Skogstad, 1987). Not surprisingly, there was no farmer representation on the Task Force Committee. Moreover, the Task Force also emphasized that the creation of any additional national marketing commissions should have industry-wide representation, rather than exclusively producer membership.⁵ Subsequently, the federal co-ordination of provincial supply management commodity schemes were implemented in egg production (the Canadian Egg Marketing Agency, 1972), turkey production (the Canadian Turkey Marketing Agency, 1974), and broiler chicken production (the National Chicken Marketing Agency, 1978) (see Skogstad, 1987; and Troughton, 1987b, 1989).

The products currently under marketing board jurisdiction in Canada are extensive (Table 3.2), covering a wide range of commodities in all provinces. Since an undetermined number of farmers produce more than one commodity that falls under the jurisdiction of marketing boards, it is difficult to measure the actual number of producers that are regulated by one of the four types of boards. In 1985, for example, there were 127 different marketing boards across Canada (table 3.3), having jurisdiction over the agricultural

⁵ The Ontario Apple Marketing Commission, which has representation from all sectors of the production process, including consumers, is the model recommended by the Task Force.

production of approximately 375,000 producers.⁶ This figure may be somewhat inflated, however, due to double counting. A more credible measurement is available on a provincial basis, as Veeraraghavan (1985) has estimated that 90 percent of Ontario's farmers belong to one or more of the provincial marketing boards, while Sullivan (1986) has estimated that 60 percent of all provincial sales are currently under some form of marketing arrangement. In terms of the differing powers available to marketing boards (see table 3.4), at one extreme full supply management exists in poultry, milk, tobacco and eggs, while corn (in Ontario) and cattle are the major commodities that are essentially marketed outside of an marketing board arrangement (see also Troughton, 1987a, 1987b, and 1989).

3.3 The pluralist approach towards the development of marketing boards:

According to prevailing economic wisdom, the establishment of marketing boards are necessary since producers are at a distinct disadvantage when negotiating prices (see Perkin, 1962). An imbalance often occurs in the price negotiation process, as there are usually a large number of relatively small producers who, on an individual basis, attempt to negotiate price with a small number of large agribusiness firms. In the neoclassical economic tradition marketing boards represents a form of countervailing power, and helps restore the mythical balance between producers and agribusiness firms in the price negotiation process (see Metcalf, 1969). Through collective bargaining marketing boards, that have the authority to negotiate prices, act to protect producers from the exploitive tendencies of agribusiness firms and the "poorer practices of the free enterprise system" (Perkin, 1962; p. 1).

⁶ In 1986, it was estimated that there were approximately 293,000 census farms in Canada, which included almost 73,000 census farms in Ontario.

Table 3.2: Products under marketing board jurisdiction in Canada, 1984-85

Province	Products
British Columbia	Broilers, cranberries, dairy products, eggs, grapes for processing, grains, hogs, mushrooms, sheep and wool^b, tree fruits, turkeys and vegetables.
Alberta	Broilers, cattle^b, dairy products, eggs and fowl, fresh and processing vegetables, grains, hatching eggs, hogs, potatoes^b, sheep and wool^b and turkeys
Saskatchewan	Broilers, dairy products, eggs, grains, hogs, sheep and wool, turkeys and vegetables^b
Manitoba	Beef, broilers, dairy products, eggs and pullets, hogs, honey, turkeys and vegetables.
Ontario	Apples, asparagus, broilers, burley and flue-cured tobacco, dairy products, eggs, grapes fresh and for processing, hogs, greenhouse vegetables for processing, potatoes fresh and for processing, seed corn, soybeans, tender fruit, tomato seedling plants, turkeys, white and yellow eye beans and winter wheat
Quebec	Apples, beef^b, blueberries^b, broilers and turkeys, cash crops, cigar, pipe and flue-cured tobacco, dairy products, eggs, grains, hogs^b, potatoes, sheep and lambs^b, vegetables for processing and wood
New Brunswick	Apples, broilers, cattle^b, dairy products, eggs, greenhouse bedding plants, hogs, potatoes, turkeys and wood
Nova Scotia	Broilers, dairy products, eggs and pullets, flue-cured tobacco, hogs, potatoes, processing peas, turkeys, winter grains and wool
Prince Edward Island	Broilers, dairy products, eggs, hogs, pedigreed seed^b, potatoes and tobacco
Newfoundland	Broilers, dairy products, eggs, hogs and vegetables

^aExcluding inactive boards and those new boards which had not yet completed a full year's operation

^bEducational and promotional

Source: Sullivan (1986)

Table 3.3: Number of marketing boards and the number of producers whose products were under jurisdiction of marketing boards in Canada, by Province, 1984-85

		number
British Columbia	10	3,432
Alberta	8	11,638
Saskatchewan	6	9,383
Manitoba	8	14,057
Ontario	23	77,417
Quebec	23	50,139
New Brunswick	15	8,597
Nova Scotia	10	1,972
Prince Edward Island	6	2,483
Newfoundland	5	247
Canadian Wheat Board	1	144,000
Total boards reporting receipts	115	323,365
Educational and promotional boards	12	52,111
Total	127	375,476

¹ Some double counting as a number of farmers may be members of more than one board. Producer figures do not include inactive boards or new boards that have not yet completed a full year's operations.

Source: Sullivan (1986)

Table 3.4: Producers' receipts through marketing boards as a percentage of farm cash receipts, by commodities, for Canada, 1984-85

	Farm cash receipts	Producers' receipts through Marketing Boards	
	thousand dollars	percentage	
Grains ¹	5,563,051	4,615,848	83
Oilseeds	1,318,901	230,944	18
Fruit	260,362	118,731	46
Vegetables ²	835,009	417,166	50
Cattle and calves	3,557,738	99,027	3
Hogs	1,888,483	1,230,396	65
Dairy Products ³	2,988,505	2,988,505	100
Poultry	889,292	848,096	95
Eggs	505,980	419,596	83
Other	2,508,425	383,809	15

¹ Includes wheat, oats, barley, rye, corn, Canadian Wheat Board participation payments, cash advances and deferred grain receipts.

² Includes potatoes.

³ Includes dairy supplementary payments.

Source: Sullivan (1986), Table 6.

Following this neoclassical economic interpretation, numerous references to the formation of marketing boards within the emerging welfare economic policies during the 1930s or successive 'waves' of marketing legislation during the late 1950s and early 1970s, have cited producer factors as being the dominant force behind increased government intervention (e.g. see Perkin, 1962; Hiscocks, 1972; Hiscocks and Bennett, 1974; Veeman and Veeman, 1974; Loyns, 1977; Schmitz and McCalla, 1979; Veeman and Loyns, 1979; Lane and Fox, 1980; Menzie, 1980; Veeman and Veeman, 1980; Lane, 1982). Such studies have generally focused upon the creation of marketing boards as simply the outcome of a democratic process whereby producers follow an institutionalized procedure in order to develop a new marketing plan. The successful establishment of a marketing board thus reflects a consensus amongst the majority of producers, and is created despite opposition from agribusiness firms and consumer interest groups (Veeman and Loyns, 1979).

Within this pluralist interpretation of the policy-making process, the state is either a neutral arbiter balancing the interests of various groups within society, or is viewed as being overtly receptive to producers needs. Agribusiness interests are viewed as being pro 'free enterprise', against state intervention, and particularly against supply management marketing boards. Consequently, agribusiness is viewed as having little input into the policy-making process. Moreover, the establishment and proliferation of marketing boards not only reflects the inadequacy of agribusiness firms to influence agricultural policy, but also illustrates the strength of the producer lobby:

The continued existence and prospective growth of marketing boards... suggests that powerful influences are at work and overwhelming the efforts aimed at the elimination of these boards--efforts mounted by economists and consumer interest groups (Grubel and Schwindt, 1977; p. 35).

Advocates of this pluralist view, have also focused upon numerous plausible factors which could undermine any concerted producer movement as an explanation for failed attempts to develop a marketing board. Popular explanations tend to focus on the

failure of a unified farm lobby in Canada, and include: (i) the conservative 'free enterprise' ethic that pervades throughout parts of western Canada (see Bennett, 1969; and Veeman and Veeman, 1982); (ii) the divergent interests of the numerous farm organizations within North America (Salisbury, 1979; and Wilson, 1982); and (iii) the inability of producers to absolutely control production (Hiscocks, 1972). In terms of the divergent interests of the numerous farm organizations, the argument is based upon a consequence of the industrialization of agriculture; specifically, the trend towards specialization in production which has fostered representation by commodity organizations instead of a unified producer lobby. With respect to the need to control production, Hiscocks (1972) states that one group of producers operating independently can undermine the entire system. This was the situation which undermined the success of volunteer co-operatives during the early years of the Depression, which eventually resulted in formalized marketing board legislation. Production from another region (another country, province, or unregulated area within a province) could also undermine the control of production and ultimately price. The national marketing plans and protection of the domestic industry under GATT Article XI, are intended to overcome these problems.

While these factors have no doubt contributed to the establishment or rejection of marketing boards, they provide only a partial explanation. Basically, these interpretations focus solely on the divergent interests of producers, based upon ideological, representational, or regional differences and contend that they provide the principal explanation for the absence of a marketing board. However, such interpretations fail to consider economic class differences amongst producers, or the role of agribusiness and state interests in the policy-making process. This is particularly true in the case of the dairy and beef livestock sectors in Canada. The discussion now addresses a variety of alternative explanations for the development of marketing boards in Canada, particular in regards to the failure to develop a beef marketing board.

3.4 Alternative explanations for the formation of dairy and beef marketing boards:

Given the problem of explaining the uneven development of marketing boards in the Canadian dairy and beef livestock industries, there are two possible lines of inquiry that could be undertaken. On the one hand, an investigation of why supply management has evolved to regulate the dairy industry, and on the other hand, why have efforts to develop a marketing plan in the cattle industry been unsuccessful? In the latter example, the agri-food literature has generally cited a variety of factors, specifically: geographical, geo-political, structural, ideological and economic differences between cattle producers, as providing the explanation for the lack of consensus towards methods of marketing. The purpose of this section is to outline each of these explanations, and argue that while they provide valuable insights into the lack of consensus amongst cattle producers towards establishing a marketing board, a broader theoretical interpretation that provides a more unified conceptual framework should also be considered. The discussion particularly focuses upon the classical frontier ideological interpretation that has been advanced by Bennett (1969), which has as its central argument that the virtues of individualism and a conservative ideology explains why prairie ranchers are fundamentally opposed to marketing board legislation in the cattle industry. From a re-evaluation of this interpretation, it is suggested that economic class distinctions between farmers and ranchers, and a convergence of ideology between large scale producers and agribusiness firms may in fact underlie the failure to develop a marketing board in the cattle industry.

The geographical distribution of beef livestock in Canada has no doubt undermined the development of a marketing board plan in the cattle industry. This can best be explained by comparing the geographical distribution of beef livestock and dairy production in Canada. In both cases, the geographical distribution can, in part, be explained by traditional models of economic rent for agricultural production (see Hoover, 1948; Morgan and Munton, 1971; and Found, 1971). According to such models, the economic rent of beef

cattle is less than the economic rent for milk production. Consequently, economic land use theory predicts that dairy production will be oriented towards, and located near, all major urban markets, whereas beef production will generally be oriented towards a national market and located in more peripheral regions.

This pattern is only partially applicable to the actual Canadian geographical pattern, which subsequently lends itself to different forms of political organization. For example, dairy production is centred in the two most populous provinces, Ontario and Quebec, which has facilitated the regulation of fluid milk production and marketing under provincial jurisdiction. In contrast, beef production is centred primarily in southwestern Ontario and Alberta, and is oriented towards a national (if not continental) market, which is more difficult to regulate under separate provincial jurisdiction. The absence of a federally coordinated national plan of provincial marketing boards is thus linked to the cattle industries national (and continental) orientation in trade, and the regional distribution of production.

Skogstad (1987) attempts to build upon the geographical patterns in agricultural production by emphasizing regional differences and conflicting political agendas as dictating agricultural policy. In this context, the absence of a marketing board in the cattle industry can be partly explained by western distrust towards the federal government, which ultimately prevents cattle producers in Alberta and Ontario from combining their common interests into a unified farm lobby. In contrast, supply management in the dairy industry has originated from the combined efforts of milk producers in Ontario and Quebec, which was then adopted by all other provinces in Canada. The federal government's support for supply management and a national milk marketing plan is explained as the outcome of intergovernmental relations, nation building and regional development, and particularly in terms of Ottawa politicians simply cowering to the demands of French Canada to protect the Quebec dairy industry. While Skogstad's thesis provides considerable 'food for thought', the universal nature of corporatist arrangements in the fluid milk industries of most developed countries (where the Quebec-nation building thesis does not apply), e.g.

Austria (Traxler, 1985), Great Britain (Winter, 1984; and Grant, 1985), the Netherlands (van Waarden, 1985), and Switzerland (Farago, 1985), suggests that one must look elsewhere for a stronger explanation of the dairy industries propensity to be regulated by a marketing board arrangement.

Another variation of the geographical distribution of cattle production involves how this spatial pattern has acted to amplify the structural differences between producers. Western cattle ranchers generally supply live cattle for feeding elsewhere, either to (i) feedlots in Alberta or Ontario, which fatten and finish cattle, or (ii) to eastern cow-calf operators, who breed and fatten cattle. The cattle industry is thus characterized by several different types of production, which are often located in different regions of Canada: ranchers in the southern prairies, feedlots in Alberta and Ontario, and cow-calf operators in central and northern prairies and in southern Ontario.⁷ Subsequently, in terms of achieving a unified producer position in regards to marketing boards, each type of production has unfortunately "spawned its own associations and attitudes, which makes a national producer consensus virtually impossible" (Troughton, 1989; p. 380). It is also possible that the structure of the cattle industry has far reaching implications in term of marketing arrangements. Essentially, the cattle raising process enables farmers and ranchers to sell or purchase calves, steers and heifers through a combination of marketing options, e.g. public auctions, direct sales, and sealed bids, creating a production and marketing system of great complexity. Hence, even if there was a consensus amongst producers in support of a marketing board, it is likely that the structural and spatial complexity of the cattle industry would make the organization of production and marketing within a supply management framework a difficult, if not insurmountable, task.

Differences in ideology have also received some scholarly attention (see Lipset, 1950), although the 'western cowboy' image has played a more central role within the

⁷ As a biological consequence of owning a large number of cows, many dairy farmers in Ontario and Quebec also produce calves for the veal industry or for the feeder market.

popular fictionalized accounts of life in the American Midwest. Bennett's classic 1969 investigation of life in rural Saskatchewan provides considerable insight into the ideological and economic differences between prairie farmers and ranchers, albeit from an environmentally deterministic perspective. Ranchers have historically been associated with the conquering of the North American western frontier, and have presumably established a society that is based upon the virtues of self sufficiency and individualism. They have subsequently rejected co-operative and collective organization, while often condemning those who espouse a collectivist philosophy. In contrast, farmers had to tame the wilderness in their own way, and were forced to develop co-operative strategies in order to establish homesteads in the harsh prairie environment. Farmers were also found to be more homogeneous than ranchers, and they tend to have a more comprehensive view of their occupation, thereby leading to a broader awareness of national farm policies, markets and political movements.

Distinctions between ranchers and farmers have also been expressed in the rural economic literature, in terms of their decision making choices under conditions of risk and uncertainty (see Found, 1971). In this case, while it is generally recognized that farming is an occupation that incurs considerable risks, producers have the ability to select from a variety of strategies in order to have some control over their income. Commodity prices, the availability of hired labour, the likelihood of machinery breakdown, inconsistent government intervention, and fluctuating weather conditions are all examples of factors that may affect agricultural productivity and farm income. An element of chance enters into the scenario, since these factors are seldom known precisely before they occur. Consequently, farmers may adopt particular production patterns in anticipation to changing economic or environmental conditions. In one extreme scenario, farmers may choose to emulate a 'gambler' and produce a commodity that has the highest risk factor, and also the highest

"expected" income.⁸ In the contrasting scenario, farmers may choose to follow a 'conservative' approach, and select a commodity that would yield the highest income under the worst possible conditions.

These opposite strategies have particular relevance to the diversity in the types of cattle production, and specifically how cattle producers may respond differently to the beef cycle. Ranchers and feedlot operators are analogous to risk takers, who have chosen to specialize in only one commodity, in expectation of occasional extreme high returns amongst many years of marginal incomes. In contrast, producers from mixed farms or cow-calf operations are analogous to pessimistic farmers, and choose to spread the risks through diversification, thereby accepting a lower "expected" income in return for one that is more stable and consistent over time. In this context, specialized producers seek to maximize their profits, whereas a mixed farm operator seeks to minimize their losses.

These differences in ideology or decision making have also been manifested in political representation, with ranchers and farmers supporting vastly different farm organizations. Ranchers are usually represented by single commodity organizations that are structured on a national basis, specifically the Canadian Cattlemen's Association (CCA) (including the CCA's provincial counterparts and affiliated producer organizations), and have memberships that tend to be very conservative in their ideology (Skogstad, 1987). The CCA favours a reliance on the market economy to establish commodity prices, and they are adamantly opposed to supply management. They are also an organization that has no illusions about the 'family farm', although they have a strong ideological commitment to the unrestricted private ownership of farmland (Mitchell, 1975).

⁸ The basic premise has a farmer having to choose between four crops, which produce vastly different returns depending upon the weather. Although the weather may be unpredictable, in this scenario the producer selects the crop that would return the highest income, under ideal weather conditions, even though the farmer's chances are low that he/she will succeed. See Found (1971), chapter 6, for a complete explanation of decision making under risk and uncertainty.

In contrast, farmers tend to operate more diversified family farms, and produce a combination of feed grains, hogs, and dairy products, while running cow-calf herds, and usually support the general farm organizations such as the National Farmers Union (NFU) and the Canadian Federation of Agriculture (CFA) (Skogstad, 1987; and Mitchell, 1975). The NFU, which was founded on a national basis in 1969, consists of a membership that has demonstrated a propensity to engage in highway blockages, mass rallies, food giveaway programs and even sit-ins in government buildings in order to advance their somewhat radical proposals. A commitment to the preservation of the family farm is central to their political platform, as well as concern towards the increasing encroachment by agribusiness into agricultural production. This platform was clearly illustrated at their 1974 convention, during which the NFU formalized a land use policy that essentially called upon the state to seriously consider public ownership of land, or at least consider maximum limits on farm size (Mitchell, 1975).

This interpretation is only partially effective, however, since it tends to have a western bias to the distinction between "ranchers" and "farmers". In southern Ontario, for example, cattle operations are either cow-calf or feedlots. "Ranchers", per se, do not exist in Ontario. In this case, ideological differences may have to be based upon some other criterion. Nonetheless, the ideological differences between ranchers and farmers, and its manifestation in the political process are significant factors in hindering the development of a marketing board, and have been cited as such in the few scholarly investigations of the beef crisis during the 1970s. In their brief overviews of the beef crisis, both Mitchell (1975) and Skogstad (1987) focus upon the division between the CCA and the NFU that resulted in each organization demanding vastly different solutions. While the contrasting solutions are examined in more detail in chapter 6, it is important to note that neither researcher makes any reference to the participation of agribusiness and state interests in the policy-making process. Furthermore, ideological differences may divide ranchers and farmers, but greater consideration must be made of how these contrasting views determine

how producers are aligned with agribusiness interests. In this case, the Ontario Beef Producers for Change (OBPC), who had been instrumental in holding a provincial wide vote for a beef marketing board in 1988, tend to represent an anomaly to the interpretations provided by Mitchell (1975) and Skogstad (1987).

While it is generally recognized in the agri-food literature that the process of agricultural industrialization is polarizing production between small scale and large scale farms, economic class distinctions between producers are seldom considered by researchers investigating the agricultural policy-making process. Certainly this is true in the pluralist interpretations of the development of marketing boards, which tend to focus on geographical, political, structural, and particularly ideological factors. Within such studies, and even some of those following a more radical perspective (see Finkel, 1979), all producers are basically economically homogeneous, and belong to the same economic producer class.

In reality, however, farmers are generally economically heterogeneous, and are becoming segmented into three economic classes. For example, although the process of agriculture industrialization is polarizing production between small-scale and large-scale farmers in developed countries, it is also generally recognized that the 'middle class' of producer society (the family farm) is becoming increasingly squeezed between these extremes. In the U.S. context, farmers have been recently classified as: (a) large-scale industrialized farms that are often run by agribusiness corporations; (b) the family farm, a full-time operation that may employ some hired labour; farm income may also be supplemented with non-farm income; and (c) small-scale farmers, who rely upon non-farm employment for the majority of their income (see Lobao, 1991). Although the polarization in agricultural production in Canada is less severe, Brinkman (1981) has nonetheless classified producers into 3 different categories, based upon their income: commercial operators, limited-resource farmers, and very-small-volume farm operators.

Distinctions in economic class may be an important factor in the beef livestock industry, as there is evidence in the agri-food literature that cattle producers can be divided by income (see Brinkman, 1981). Even Bennett (1969), who is associated with the 'ideological thesis', documents economic distinctions between farmers and ranchers. Using 1961 census data to illustrate that ranchers incomes greatly exceeded those of farmers, Bennett found that the majority of farmers were in the middle income category, while the largest percentage of ranchers were in the high income category (see Bennett, 1969; chapter 4). In economic and political terms, it is not surprising then that ranchers have been described as representing the 'aristocracy' of cattle producers in both wealth and politics, whereas the cow-calf farmers tend to operate small scale, mixed farms (Mitchell, 1975). What remains unclear, however, are the reasons why ranchers with high incomes would be opposed to supply management for economic reasons, whereas their dairy counterparts have historically been avid proponents of marketing boards.

More importantly, class distinctions are also manifested in the political process and marketing arrangements that have emerged in the prairie cattle industry. Historically, farmers have been far more active in politics than ranchers, but their efforts have not necessarily been more influential on the policy-making process. Farmers have typically entered the political forum via the normal channels of politics: by nominating candidates, starting petitions, and generally inserting themselves into the political structure, although they have also occasionally expressed their views through more radical (and visible) methods, such as actions of civil disobedience in the form of boycotts and protest marches. In contrast, ranchers have typically used more manipulative (and secretive) techniques to exert political influence:

...while a group of farmers would seek to elect one of their number to office, or to persuade a government bureau to grant a community pasture to a district, the rancher would make a personal, secret call on a government official in an effort to have this official intervene on his--the ranchers--behalf with a bureau. These differences were not invariable, of course--sometimes ranchers combined politically and sometimes farmers manipulated individually--but the tendencies were clear. The difference was

related to ideology: the dominant 'elitist' outlook and individualism of the ranchers and the egalitarianism and collective spirit of the embattled farmers (Bennett, 1969; p. 213).

While no attempt is made at this point of the discussion to evaluate the relative differences in the degree of political influence between each type of approach, the description nonetheless illustrates a distinction in methods that may also apply to the beef crisis of the early 1970s. What remains to be determined is whether the ranchers, through the CCA, pursued a similar secretive and manipulative approach to influence either the Commission of Inquiry investigating the beef crisis, or the federal politicians and bureaucrats who were responsible for shaping the legislative response. It is conceivable that such an approach in a non-pluralist society would likely result in the CCA (and the 'elite' ranchers) having a greater influence on the policy-making process, in comparison with the methods pursued by the farmers (through the NFU and the Canadian Federation of Agriculture).

In the context of marketing arrangements, a combination of economic class, a strong attachment to locality, and differences in ideology between collectivism and individualism has also been manifested in their respective commercial styles. For example, most ranchers prefer to sell their cattle to private buyers, rather than using other methods of exchange:

Most ranchers sold their animals to private buyers who came to the ranch to inspect them and make an offer. In describing this system, ranchers manifested a noticeable satisfaction in their ability to keep their transactions private. The various other methods of cattle selling--auctions, rail grading, direct to packers, through the Wheat Pool--involved exposure of the price paid for the animals, or the acceptance of standardized prices without the opportunity to bargain. Ranchers preferred to feel they were romantic, isolated entrepreneurs with an indispensable product--the world must come to them (Bennett, 1969; p. 185).

The ranchers preference for private treaty sales is particularly important for three fundamental reasons. First, this represents a method of sale that is incompatible with a marketing agency. Second, this preference raises the issue of differential benefits to be

gained by selling cattle through specific marketing channels. In this context, the possibility of differential benefits leads one to question what mode of marketing brings the highest prices, and is access equally available to all marketing options? Third, the preferred private method of exchange represents a direct producer-agribusiness link; a formal contractual arrangement between the 'elite' ranchers and the major processors. In the latter case, this may reflect a convergence of ideology between large scale producers and agribusiness interests, while in the first case this may explain why ranchers are reluctant to give up the special marketing relationship that comes with private treaty sales, for the more 'egalitarian' exchange methods associated with a marketing board. At the very least, marketing arrangements cannot be ignored in any critical assessment of the development of marketing boards; and yet, with the exception of Perkin (1962), the relationships between economic class, marketing arrangements and the policy-making process are virtually ignored in the pluralist agri-food literature.

In summary, the discussion in this section has presented a brief analysis of the more popular alternative explanations in the agri-food literature for the development of marketing boards in Canada. While it is argued that these explanations offer considerable insight into the failure to develop a marketing board in the cattle industry, collectively they fall short in providing a comprehensive explanation for the uneven development of marketing boards in Canada. In retrospect, although some of these alternative views indirectly consider class distinctions between producers, and a convergence of ideology with agribusiness interests, these factors are not addressed as their principal focus of inquiry. Consequently, the discussion now turns to an evaluation of the broader conceptual explanations that consider the role of agribusiness and the state in the policy-making process; specifically, an evaluation of the political economy approach for explaining the uneven development of marketing boards in Canada.

3.5 Towards a broader explanation of marketing boards:

In regards to the Canadian agri-food literature, there has been very little in-depth research that has investigated the agricultural policy-making process within the context of a broader agri-food system. In particular, there is a glaring neglect in the agri-food literature to place the development of marketing boards within a broader conceptual and theoretical framework. Fortunately, there are a few scattered investigations of the Canadian agri-food system that at least place marketing boards within the context of the broader agri-food system. Although on an individual basis the contributions from the historical, economic, and geographical disciplines fall short of providing a comprehensive and critical explanation for the uneven development of marketing boards in Canada, collectively they provide the foundation for such an analysis.

The most important contribution comes from economic history, in which Finkel (1979) uses a Marxist approach to analyze the social welfare programs (including the Natural Products Marketing Act of 1934) which emerged from the Depression. While this study represents the only Marxist interpretation of Canadian marketing boards, the analysis is basically historical in its approach; subsequently, there is little consideration for the structural differences between producers or the spatial impacts of agricultural policy. In a contemporary context, there are a few journalistic investigations of the global agri-food industry that make passing reference to the policy-making process involved in the development of marketing boards (e.g. Morgan, 1979; and Wilson, 1990), but none of these analyses follow a rigorous theoretical structure. One notable exception concerns research on the Maritime potato industry, specifically the studies by Burge (1987), McLaughlin (1987), and Murphy (1987), who loosely structure their analyses within a dependency framework.

In recent years there has also been growing interest from the geographical discipline concerning the role and impact of marketing boards in Canada (Sundstrom, 1978, 1984;

Smith, 1980, 1984; Troughton, 1987a, 1987b, 1989; and Chiotti, 1987). Overall, this research has generally adopted a broad conceptualization of the agri-food system in the investigation of marketing boards, and has tended to focus upon the spatial and structural impacts of policy upon the production and processing sectors. Most notable of this literature is the research by Troughton (1987a, 1987b, and 1989) who attempts to examine the relationship between marketing boards, and particularly supply management, and the overall process of agricultural restructuring in Canada. Within a more commodity specific focus, the impact of marketing boards and government policy in the dairy industry has received modest attention at both the production level (Sundstrom, 1978 and 1984) and in the industrial milk processing sector (Chiotti, 1987).

While the geographical literature makes a strong contribution towards documenting the spatial and structural impacts of marketing boards, these studies generally ignore the policy-making process and are not couched within a critical theoretical perspective. Smith (1980, 1984) investigates the changing structural and spatial dimensions of the Quebec agri-food industry from a pluralist perspective, while Chiotti (1987) examines the industrial milk processing industry in Ontario within an institutional framework. Troughton (1987a), however, at least acknowledges the need for a more critical conceptual explanation for the development of marketing boards, and argues that the policy-making process involves the participation of producer, agribusiness, and state interests, and how the state and agribusiness react to changing market conditions:

The incomplete and varied nature of supply management reflects an array of factors interacting over time and space and including the changing nature of farm operations and farmer concerns, especially towards agribusiness; likewise, the changing attitudes of agribusiness and governments, both federal and provincial, to the nature of the market place and their role in the system (Troughton, 1987c; p. 5)

Having recognized the need to consider the development of marketing boards within the broader agri-food system, the question that needs to be addressed concerns the roles that agribusiness and the state have had in the establishment of this policy instrument.

From a brief review of selected contemporary and historical accounts of the formation of marketing boards in Canada, there is little doubt that agribusiness and the state have been active in the agricultural policy-making process, and very influential in shaping agricultural policy. Historical conflicts in the policy-making process leading to the formation of three specific marketing boards suggests that agribusiness interests can (i) support this type of policy instrument, given particular economic conditions; or (ii) exert significant influence upon the policy-making process (with or without the support of large scale producers) to establish a marketing board that minimizes the real countervailing power of producers. Amplifying the earlier discussion on the CWB, the following examples of early attempts to develop a marketing board in the dairy and beef livestock sectors in Canada illustrates the need to undertake a more critical examination of the relationship between agriculture, agribusiness and the state in shaping this type of policy instrument.

The dairy and beef livestock industries:

The empirical evidence presented from the wheat industry suggests that a closer examination of the policy-making process is necessary on a commodity by commodity basis. Unfortunately, there are few critical investigations that have considered the possibility that agribusiness interests and ideology of the state have played a somewhat unified and dominant role in the formation of marketing boards in other commodities. There are a couple of notable exceptions in the literature, however, such as the descriptive documentation of the policy-making process involving the development of a marketing board in the Ontario hog industry (Perkin, 1962) and the Maritime potato industry (see Burge, 1987; McLaughlin, 1987; and Murphy, 1987). In both industries, agribusiness interests had an equal, if not dominant role in the policy-making process.

As previously stated, the most significant and comprehensive contribution in the secondary literature is provided by Finkel (1979), who presents historical evidence that

agribusiness interests either approved of, or even initiated, producer reforms during the Depression; in fact, they had a pronounced influence upon the enactment of the Natural Products Marketing Act of 1934 and its related provincial marketing schemes. Notably, this was the case in the dairy industry, with farmers supporting a marketing plan initiated by Borden Co.⁹, and in the beef livestock industry, with Canada Packers and the other large meat packing companies successfully convincing the state to reject a farmer initiated marketing scheme. Essentially, these respective outcomes in the initial attempts to develop a marketing board, foreshadowed the evolution of agricultural policy for each industry. Consequently, the discussion will now draw upon both primary and secondary sources to closely examine the early stages in the struggle to develop a marketing board in each industry, from the initial attempts during the depression, until the time period immediately prior to their respective Commissions of Inquiry.

The dairy industry of the 1930s was controlled by national and international corporations that acted as regional monopolies in the production of butter and commercial milk; consequently, these companies had considerable influence over the formation of policy (see Finkel, 1979; pp. 47-55). With overproduction, the closure of foreign markets, and reduced purchasing power, the dairy industry became very unstable during the depression. American owned Borden Co., then the largest distributor of fluid milk in Canada, proposed a marketing plan to regulate the dairy industry by licenses, contracts, and price fixing. This proposal was generally accepted in 1934 by both farmers and other processors, and by 1939 most provinces had enacted similar legislation.

On a provincial basis, four separate farm marketing boards emerged during the immediate post WWII period to represent Ontario milk producers: The Ontario Whole Milk

⁹ It is important to note that agricultural policy in the dairy industry was also supported by business interests in the U.S., during the Great Depression of the 1930s. According to Mortenson (1940), demands for state intervention into the dairy industry came from producers, industrial workers, and business interests, in order to secure: (i) higher prices for producers, (ii) protection against declining wage rates, and (iii) aid and regulation designed to promote economic stability.

Producer's League, The Ontario Concentrated Milk Producer's Marketing Board, the Ontario Cheese Producer's Marketing Board, and the Ontario Cream Producer's Marketing Board. To some extent the industry was able to successfully address most of the problems encountered during the 1950s. By the end of the decade, however, it became apparent to most producer and processing interests that instability within the industry was becoming a chronic problem that the existing marketing board structure was incapable of correcting (see Lane and Fox, 1980; and Hurd, 1982). Problems such as low prices, overproduction, growing butter surpluses, increasing state subsidies, and farmer unrest had become persistent problems in the industry. Inhibiting the resolution of these problems was the fact that each of the four marketing boards tended to operate independently, while pursuing their own self interests, to the detriment of the entire industry. Numerous attempts at stabilizing production in each segment of the industry and co-ordinating the individual organizations into a single unified marketing board, failed throughout the late 1950s.

In 1960, the milk industry finally commissioned its own inquiry into the marketing and pricing of milk (see Carncross et al., 1961), with the intended purpose of finding a workable method that would permit the equalization of milk prices to producers of fluid and concentrated milk. A voluntary provisional board, which consisted of representatives from the whole milk and concentrated milk marketing boards, failed to successfully implement the key recommendations of the report. Within a year of its formation, the provisional board was dissolved, incapable of arriving at a compromise solution to resolve the dairy crisis. With the dissolution of the provisional board, the state had no option but to eventually appoint their own Commission of Inquiry into all phases of the dairy industry in Ontario.

In contrast, the beef livestock industry in Canada has never successfully developed any type of national marketing board, despite the fact that many of the circumstances surrounding the initial attempt at development was similar to its dairy counterpart. During the depression, the meat packing industry, led by Canada Packers (who controlled almost

60 percent of the national meat packing business) initially joined producers, stockyard officials, and livestock commissioners to pressure the provincial and federal governments for a marketing board. However, while the meat packing industry supported a call for state intervention, they rejected two 'radical' schemes presented by the livestock pools that would have severely threatened their control of the trade: (i) a scheme that proposed to remove the marketing function from the packers, delegating to a marketing board the responsibility for marketing both livestock and processed meats; and (ii) a less radical scheme that proposed to prohibit direct sales between farmers and packers. Although the meat packers eventually favoured a state supported stabilization plan, the Dominion Marketing Board and the Deputy Minister from the Department of Agriculture agreed that "the livestock pools had not presented a plan that would allow for proper co-operation between producers and packers" (Finke!, 1979; p. 55).

Unfortunately, it is not known if there were further attempts to develop a national beef marketing board during the post WWII period, as references to such efforts are virtually non-existent in the secondary literature. Fortunately, the examination of an archival finding aid on material recorded by the Ontario Ministry of Agriculture and Food, revealed a collection of primary documents that pertained to a series of early attempts to establish a beef marketing board in Ontario between the late 1950s and the late 1960s. Although the discussion in this section is based solely upon previously undocumented archival material, and pertains primarily to the struggle in Ontario, it is nonetheless useful to consider the Ontario situation as simply illustrative of the general conflict between cattle farmers and agribusiness interests that existed during this period of time. Furthermore, it is also significant since the documents indicate that a key strategy adopted by conservative farm organizations coincided with the observations by Bennett (1969), that involved "secretive" correspondence with state bureaucrats and politicians. Overall, the scope and depth of the material suggests that the struggle to develop a beef marketing board was characterized by a lack of consensus amongst farm organizations, and particularly a close

association between the Ontario Beef Improvement Association (OBIA), agribusiness interests and the state.

The first record of producer attempts at intervention into the provincial marketing of beef in Ontario occurred in the late 1950s.¹⁰ The beef plan proposed by the Ontario Beef Producers Association did not involve any regulation over marketing, but simply attempted to secure a levy to assist the research and promotion of beef. This initial attempt, however, received little support from beef producers and was unsuccessful. The Ontario Beef Producers Association was eventually superseded by the OBIA, which was established on May 23rd, 1963, under the Agricultural Association Act, with the set-up costs financed by a \$10,000.00 provincial grant (OBIA, 1963). From its very beginnings, the OBIA was closely aligned with both the state and agribusiness interests. For example, the minutes from the executive meetings of the OBIA were sent to the Minister of Agriculture on a regular basis. Furthermore, the Minister of Agriculture, W/m. Stewart, was the keynote speaker at the OBIA's inaugural banquet, which was also attended by W.W. Lasby, the assistant general manager of Canada Packers. From personal correspondence between them, both gentlemen praised the formation of the OBIA, and the assistant general manager from Canada Packers even offered the use of their plant facilities for any research that the association wished to carry out (Lasby, 1964; Stewart, 1964).

In 1966, a finance committee began a second attempt to implement a voluntary levy on all cattle marketing in Ontario, in order to finance the activities of the OBIA (Gracey, 1966b). The OBIA wanted to raise their profile in response to two external threats. First, the newly formed Ontario Farmer's Union (OFU) were actively soliciting support for a beef marketing plan. Second, there was considerable concern over a western Canadian proposal to remove the tariff on live and slaughter cattle moving between Canada and the U.S.. The latter issue polarized producer organizations on a regional basis, since the OBIA

¹⁰ See Series 16-108A, File 2.3: Proposed Beef Cattle Marketing Plan, 1957-1959.

was opposed to any removal of the tariff, while the Canadian Cattlemen's Association (CCA), and the British Columbia and Western Stock Growers Associations were recommending that the duty be removed (Gracey, 1966a; see also OBIA, 1966). The OBIA feared that the removal of the tariff would enable feeder cattle being raised in Western Canada, to be shipped to the corn belt of the U.S., finished, and then sent back to the Toronto-Montreal area for consumption. It was believed that the movement of cattle in this manner would ultimately have a negative impact upon both eastern feedlots and meat packers in Ontario and Quebec.

A partial solution to the problem was to increase the profile of the OBIA in Ontario, and for the organization to become affiliated with the CCA, in order to secure strong representation from Eastern Canada. In the latter context, there was considerable fear that the CCA did not adequately represent eastern interests, and that the actions from Western Canada only illustrated this fact. In response to both the pressure to remove the tariff and renewed concern over the maintenance of the Feed Grain Assistance Policy, the Director of the OBIA, R. Beattie, sent a letter to the Minister of Agriculture, Wm. Stewart, which clearly articulated the association's position:

The bringing up of these matters by the Western Cattlemen points out the real importance of having very strong representation on the CCA, so we may head off or tone down requests and policies that are not at all beneficial to our beef cattle industry in Eastern Canada. There has been some question in the past by some of our directors as to the advisability of two memberships in the CCA. The bringing up of these two problems point out clearly the necessity of having strong representation, especially in view of the fact that Quebec and the Maritimes are not too strongly represented (Beattie, 1966).

While these developments were of 'great concern' to Ontario's Minister of Agriculture, the state worked closely with the OBIA to secure their position amongst cattle producers. The finance committee of the OBIA sought guidance from the Chair of the Ontario Farm Products Marketing Board (OFFPMB), who outlined 3 alternatives to establish a levy: (i) either on a voluntary basis, (ii) within the legal framework of a marketing plan,

or (iii) under new legislation. A majority of the directorate of the OBIA were strongly opposed to the option to establish a marketing plan in order to provide a legal framework to establish a levy; consequently, they chose the last option, and actively sought the creation of new legislation which would legalize a levy without necessitating the establishment of a marketing plan (Gracey, 1966b).

The first legitimate attempt to develop a marketing board in the beef livestock industry in Ontario occurred in 1967. The newly formed OFU was concerned with fluctuating prices, the manipulation of the market by processors and retailers, and farm prices that were below the costs of production. Subsequently, representatives from the OFU had a meeting with provincial authorities, which included E. Biggs, the Deputy Minister of Agriculture. Following the institutionalized process, the OFU submitted a formal presentation of a beef marketing plan to the OFPMB (Gracey, 1967a). Essentially, the plan reflected their concerns towards increasing direct sales and inadequate grading procedures. Their principal argument was that collective bargaining could only take place through the elimination of direct sales, and the mandatory utilization of public auctions for all sales of cattle. Further, in an open letter to all beef producers in Ontario, the directors of the OFU board also called for the establishment of a minimum price for the live production of any grade or class of beef cattle bought or sold in the province (Miller, 1967).

It is significant to note that the role of the state was not impartial during this serious attempt to develop a beef marketing board. Within a week of the OFU's presentation to the OFPMB, a copy of the presentation and a memorandum from the Secretary of the OBIA, C. Gracey, was sent to the Minister of Agriculture, on January 19th, 1967. A second memorandum, dated January 25th, 1967, outlined the developments of a joint meeting of the Executive and Finance Committees of the OBIA (Gracey, 1967b). Apparently, the committee members were still adamant and unanimous in their opposition to a marketing plan, although they did recognize some weaknesses in various aspects of the present marketing system. The OBIA executive were also well aware of the OFU activities in

promoting a marketing plan, and felt that they now had no alternative but to propose a check-off levy at their next annual meeting. While there was some concern over the anticipated 'mood' of the membership towards a check-off, the directors and the chair believed that they would only put forth such a motion if a majority vote was guaranteed. Furthermore, the executive were also of the opinion that the activities of the OFU could actually work to their advantage, by influencing many members of the OBIA to vote in favour of a levy.

While this correspondence was taking place between C. Gracey and Wm. Stewart, the OFU were also actively seeking an audience with the Minister of Agriculture, to discuss their proposed marketing plan and to receive the Minister's comments and opinion. The Minister of Agriculture, however, rejected such a meeting on procedural grounds, citing a potential conflict of interest, since the process ultimately results in the OFPMB making a recommendation to the Minister for processing through the Cabinet for final approval. Perhaps the Minister was justified in refusing such a meeting on procedural grounds, but if placed in the broader context of the close relationship between the Department of Agriculture, the Minister of Agriculture, and the OBIA, then one must question the existence of a double standard exercised by the state towards producer interest groups.¹¹ In this context, it is interesting to note that in the draft copy of the Minister's rejection letter to the OFU, the concluding sentence: "I appreciate the sincere effort of the OFU in your endeavor to bring about improvements in the Beef Industry in Ontario", was deleted from the final copy (see Stewart, 1967).

Two final points deserve mention, in regards to the early attempt to develop a marketing board in the Ontario beef industry. First, the Meat Packers Council of Canada were keenly interested in the proposal put forth by the OFU. In response to the efforts of

¹¹ The state seemed to have close ties with the OBIA, if not a direct presence in their affairs. For example, the secretary of the OBIA was an employee of the Department of Agriculture, while the Association's office was also provided by the state.

the OFU and newspaper reports of their anti-marketing board position, the Council issued a media release outlining their position vis-a-vis a marketing board (Leckie, 1967). The Council acknowledged that it was the prerogative of the producers to develop any method of marketing that was considered the most suitable for any type of livestock. However, they also stated that producers should have the fullest possible opportunity to weigh the comparative advantages and disadvantages of a compulsory marketing plan versus the current system that offers a choice of alternative marketing channels. In this context, there is little doubt that the Council were supportive of the OBIA and the maintenance of the status quo, and suspicious towards the OFU:

The test of any system would seem to be the results it produces. Recently, Canadian cattle prices have been maintained at the highest levels of any major beef-producing country in the world, which seems to be pretty clear evidence that a competent and competitive beef marketing structure is now serving the industry. If any improvements are needed, it is much more likely they can be achieved by all segments of the industry participating in constructive mutual discussion, rather than by promoting attitudes of distrust and suspicion (Leckie, 1967).

Second, during the summer of 1967 the Deputy Minister of Agriculture for Alberta was corresponding with his Ontario counterpart, concerning producer efforts to organize in their respective provinces. In Alberta, commercial cattlemen have historically been represented by the W.S.G.A., an organization that adheres to an ideology similar to that of the OBIA. The W.S.G.A. were strongly opposed to a marketing board in their province, and they also sought the creation of a cattle marketing commission, in order to legally remove a compulsory deduction for research and promotion (Ballentyne, 1967). Such a commission, according to the Deputy Minister of Agriculture for Alberta, would allow the W.S.G.A. to retain their dominant position. The W.S.G.A. were also seeking membership in the Alberta Federation of Agriculture, in order to have another voice in national cattle policy. The reply from E. Biggs reflects similarities in the producer movements in Alberta and Ontario, and in the latter context further illustrates the states position towards the OFU, vis-a-vis the OBIA:

...Our people are talking in terms of a deduction here as well for the same purposes, but the Ontario Farmers' Union and to some degree the Ontario Federation of Agriculture are pushing for a beef marketing plan. ...I suggested that there could be merit in spending some money on the public image of the beef industry and agriculture and certainly merit in increased research in improved management and production techniques (Biggs, 1967).

At this point of the discussion, it is important to momentarily consider the significance of the empirical evidence which substantiates a key component of Finkel's thesis; that is in some cases the state intervenes and passes marketing board legislation only when there is the support of both producers and agribusiness interests. The fact that a majority of corporate interests during the Depression were prepared to ignore their own 'free enterprise' ideology for the sake of pragmatism, and even initiate calls for state intervention, raises some important questions about the broader nature of marketing boards. Within the context of the policy-making process, the fundamental question that must be asked is: why would agribusiness interests and the state support or reject a marketing board? In order to answer this question, one needs to look beyond the policy-making process and consider the role and impact of marketing boards within the broader agri-food system. Subsequently, one needs to ask if marketing boards are a threat to the corporate control of the food industry, and can marketing boards actually function to benefit agribusiness firms?

A central argument within the critical agri-food literature is that marketing boards are not a threat to the private corporate control of the food industry (e.g. see Mitchell, 1975; and Warnock, 1978). Essentially, there are a number of ways that agribusiness firms can benefit from state intervention, or perhaps even circumvent the countervailing power of marketing boards. First, although marketing boards may raise the price of the raw product, there tends to be price fixing along the agri-food 'chain':

...there is a tendency to fix not only the price paid to farmers but the price charged to consumers. Processors and distributors argue that they can guarantee a fixed price to the farmer only if their own returns are guaranteed

and for this reason are usually able to secure farmer support for their proposals. There is thus a marked tendency towards complete cartelization of the food industries, with prices fixed at every stage from the grower to the consumer (Reynolds, 1940; p. 43).

In terms of price, marketing boards thus act to create higher consumer prices, but they don't necessarily redistribute the share of profits between producers and agribusiness firms engaged in the processing, wholesaling and retailing functions (Finkel, 1979). Second, marketing boards do not inhibit the ability of agribusiness firms to monopolize other sectors of the agri-food production process (Mitchell, 1975; Warnock, 1978). For instance, the OMMB has absolutely no authority over the activities of agribusiness firms supplying inputs and services for milk producers, and they only have limited authority over the activities of the milk processing sector (see Chiotti, 1987).

Lastly, from the structuralist perspective, Sinclair (1980) argues that marketing boards act as a form of legitimation, do not counteract the activities of agribusiness corporations, and in fact promote capital accumulation within the food and fibre industries. In other words, by stabilizing agricultural production, marketing boards ensure a cheap and reliable output of raw materials (e.g. milk, cattle, etc.) to agribusiness firms engaged in processing (e.g. dairies, meat packers, etc.), and help create viable markets for agribusiness firms supplying agricultural inputs (e.g. chemical fertilizers, farm machinery, etc.).

In the latter context, there is evidence to suggest that supply management producer marketing boards may also function to facilitate the industrialization of agriculture (Troughton, 1987b and 1989), and thereby serve the interests of both producers and the agribusiness sector. It is generally recognized that specialization in production has been associated with the industrialization of agriculture, and that a concurrent process has taken place within the institutional mechanisms that have developed to regulate trade; specifically, the proliferation of commodity specific marketing boards. An issue that can be raised concerns the degree to which specialization has facilitated the extension of marketing

boards over a large number of producers and commodities; conversely, to what extent have marketing boards facilitated specialization in production. Unfortunately, these two questions are not easily answered, and a definitive response may remain inconclusive, as even Troughton (1989) observes that the product-by-product basis of marketing boards has perhaps encouraged greater enterprise specialization. Although the answer to these questions may be a moot issue, it is nonetheless conceivable that the agribusiness sector would be supportive of marketing boards, and supply management in particular, if they also functioned to facilitate the industrialization of agriculture.

3.6 Conclusions:

This discussion has attempted to address the viability of the pluralist and alternative explanations for the formation of marketing boards in Canada. It has been presented that the standard pluralist interpretation of the agricultural policy-making process which is espoused by agricultural economists, and the alternative explanations in the agri-food literature that have cited geographical, geo-political, structural, ideological and economic factors as undermining the formation of a cattle marketing agency, all have merit; however, they collectively fall short in explaining the uneven development of marketing boards in Canada. Essentially, the fundamental shortcoming of all of these interpretations is a failure to ignore the broader agri-food system in the development of marketing boards. Hence, a broader conceptual and theoretical approach is necessary to explain the evolution of divergent forms of agricultural policy in Ontario's dairy industry and the beef livestock industry in Canada.

Fortunately, in the agri-food literature there have been a few scattered investigations of the development of marketing boards that collectively illustrate the need to critically examine the role of agribusiness and the state in the agricultural policy-making process; particularly, on a commodity by commodity basis. More important from this literature is the

historical evidence provided by Finkel (1979) and Troughton (1984 and 1989) which has illustrated that agribusiness and the state were very influential in the uneven formation of marketing boards during the economic depression of the 1930s; specifically, the formation of a marketing board in the dairy industry, and the failure to establish a marketing board in the beef livestock industry. The recognition that agribusiness interests may support or even initiate the establishment of a marketing board, raises specific questions that seem answerable only from a broader conceptualization of the agri-food system. For example, under what conditions would the state and agribusiness interests support or reject a particular marketing board? Are marketing boards a threat to the private control of the food industry? And how does supply management benefit both producers and agribusiness interests?

It is argued that these and other questions can only be adequately addressed by an approach that incorporates an integrative theoretical framework to investigate both the agricultural policy-making process and the overall impact of marketing boards upon producers and agribusiness firms. In terms of the policy-making process, one must consider the possibility that a convergence of ideology and economic interests between large scale producers, the state, and agribusiness firms will dictate the shape of agricultural policy in Canada. In terms of the overall role and impact of marketing boards, one needs to focus upon the ability of agribusiness firms to control the non-farm sectors of the agri-food system. Furthermore, one also has to consider the impact of supply management upon the industrialization of agricultural production. What remains to be conducted is the actual application of such an approach towards the investigation of the beef livestock and dairy industries in Canada. However, before such an analysis can be undertaken, the discussion needs to (i) outline an appropriate framework for investigating the agricultural policy-making process, and (ii) identify an appropriate methodology for collecting and interpreting

a large data set, such as the primary documents associated with two commissions of inquiry.

Chapter 4. Conflict theory and content analysis: towards an integrative theoretical framework

4.0 Introduction:

Given the overall objective to investigate the role of agriculture, agribusiness and the state in the agricultural policy-making process, the purpose of this chapter is to outline a methodological framework to facilitate such an analysis. The principal argument is that the various competing segments of the agri-food system are essentially in a perpetual state of conflict; therefore, conflict theory provides the model framework to investigate the policy-making process in the dairy and beef livestock industries in Canada. Specifically, the discussion presents a 3 stage model of conflict resolution that characterizes the public policy-making process to resolve the economic crisis that took place in each industry, including the articulation of interests before each commission of inquiry. In keeping with the need to approach a more critical explanation for the role of agribusiness and the state in the development of agricultural policy, conflict theory is also incorporated with the 3 general theoretical perspectives of the state. An integrative theoretical framework thus serves to provide structure for the analysis, especially by providing a clear empirical focus of inquiry.

From an integrative theoretical framework, the discussion shifts its focus towards a description of content analysis as an appropriate data collection technique to facilitate an investigation of the background material that is associated with the commissions of inquiry for the Ontario dairy industry and the beef livestock industry in Canada. After a brief overview of the various types of content analysis, the discussion describes the coding design and procedure that was employed in the primary research. In the final section, a series of questions are presented that reflect the overall empirical focus of the thesis. This is followed by the presentation of 7 hypotheses that have their foundations in the 3 general epistemological perspectives. In this case, the hypotheses are posed in such a manner that

reflects the role of agrarian, agribusiness and state interests in the development of a marketing board, from pluralist, corporatist, and structuralist theories of the state.

4.1 Conflict and the agricultural policy-making process:

Over the past two decades there has been considerable research in geography concerning the locational patterns associated with conflict. Most of this research has focused upon conflict in an urban context (e.g. Cox, 1973; Janelle and Millward, 1976; and Ley and Mercer, 1980), although there have also been contributions from rural geographers, especially in terms of investigating conflict within the rural-urban fringe (e.g. see Beesley and Russwurm, 1981). A common feature of this geographical research is that the spatial dimensions of conflict are typically examined as the manifestation of conflict between two or more regions. In an urban context, for example, this might involve conflict between the declining inner city vis-a-vis the middle-class suburbs (Cox, 1973). Similarly, in a rural context, the investigation of conflict has usually focused upon changes in land-use, such as conflict resulting from changes in the spatial dimensions of the rural-urban fringe (e.g. the loss of prime agricultural land to expanding urban centres, or the conflict between farm and non-farm land-uses), or in terms of social-economic conflict, such as the invasion of the traditional rural countryside by urban commuters (see Walker, 1987).

Conflict within the broader agri-food system, however, has not generally been an area of focus within the rural geographical discipline. This is unfortunate since a number of non-geographers have discovered that the agri-food system has considerable potential for the investigation of spatial conflict. At the macro scale, Carey (1981) has examined the politics of food as regional conflict, focusing upon U.S. food policy (e.g. U.S. Public Law 480) as a weapon to promote democracy and as a means to resolve conflict within and between developing nation states. At a micro scale, Ortiz (1978) documents conflict between migrant workers (usually from Mexico), agribusiness corporations, and the state

of California. In this case, the conflict reflects the unequal relationship between a developed and developing country, and involves the classic struggle between labour and capital, specifically, a struggle over the unionization of grape growers by the United Farm Workers of America.

While these may be extreme examples of agri-food conflict that have a spatial component, they nonetheless serve to suggest that other agri-food systems can be examined in a similar context. In fact, the agricultural policy-making process in Canada can be examined within a number of different dimensions of conflict, for example, the development of a supply management marketing board. Perkin (1962) has observed that the key component of marketing legislation is the control of supply and the protection of domestic production from foreign imports. He also suggests that compulsory marketing schemes would mean the elimination of destructive competition, particularly amongst producers. From these observations, it is conceivable that regional conflict in agricultural production may be a significant feature of the policy-making process, particularly at a variety of spatial scales. At decreasing scales of analysis, one can anticipate potential conflict between domestic and foreign producers, between western and eastern producers, between producers from different provinces (e.g. Ontario verses Quebec), or between producers in different marketing regions within the same province (e.g. between southern and northern Ontario).

While conflict between producers in different geographical locations may have a significant influence over the agricultural policy-making process in Canada, conflict can also occur in a non-spatial context. Essentially, conflict is a phenomenon that occurs in a variety of dimensions, of which locational conflict happens to be the form that attracts the most attention from geographers. There is also, however, what Douglas (1985) describes as the 'human environment' of conflict, in which conflicting behaviour emerges from the perceptions of individuals and groups towards scarce resources and contradictory goals. In a public forum, such as the two commissions of inquiry, this could involve a large group

of individuals and organizations articulating their own interests, based upon their perceptions of the agri-food crisis. The articulation of these interests and the states response to these demands, generally reflects, and results in, a situation of conflict:

Access to power, access to the decision makers and ability to influence policy so as to gain advantage or, at least, to avoid disadvantage are persistent aims of all interest-consumer groups. The competing and conflicting goals involved inevitably create conflict (Douglas, 1985; p. 103).

As the state responds to these demands, it is expected that both gainers and losers amongst individuals and groups will be created. From a geographical perspective, the resolution of conflict would most likely have a spatial dimension, manifested as just one of the many outcomes of conflict through the implementation of policy.

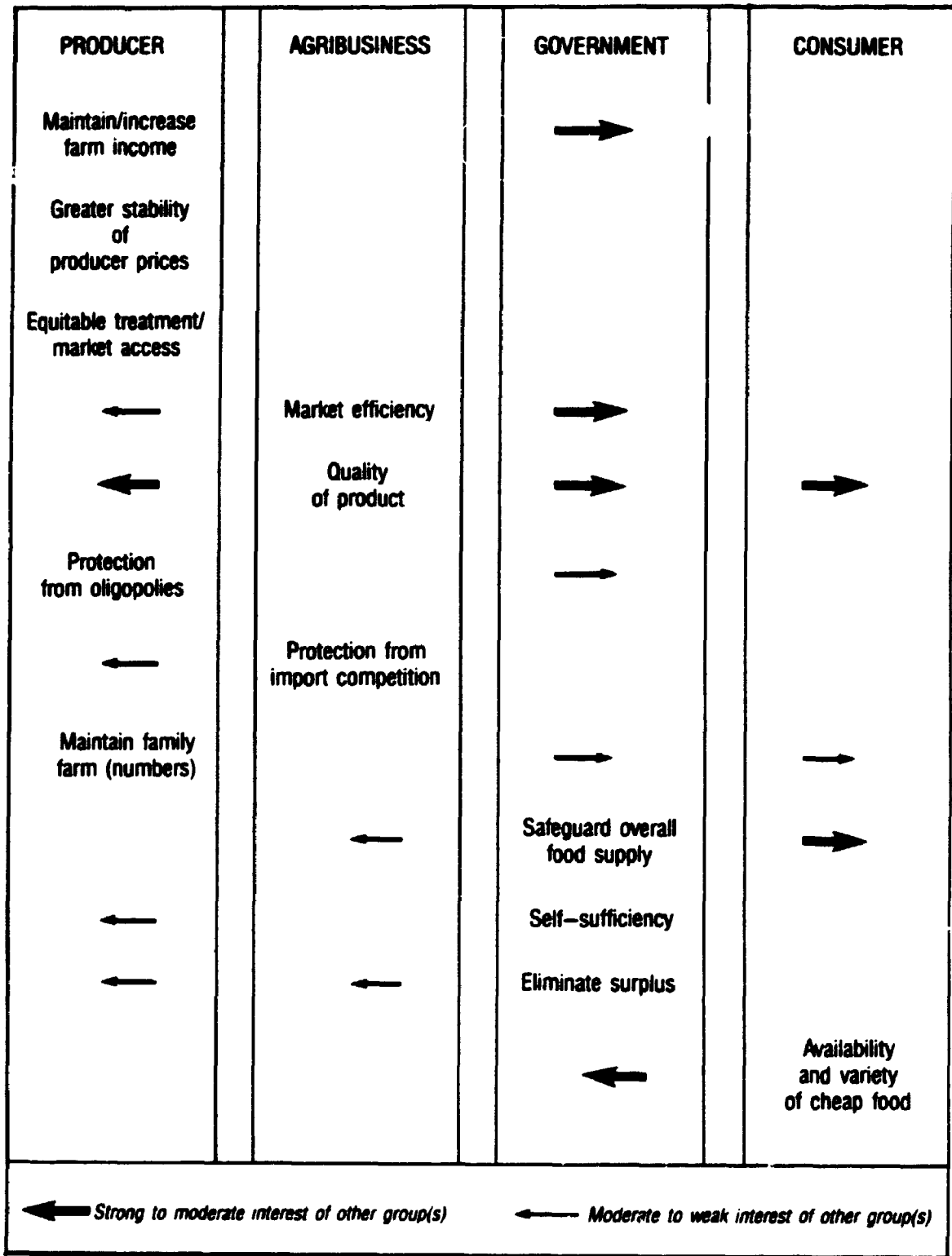
In a non-spatial dimension, conflict in the agri-food system could occur between and within the various segments of the production process (e.g. producers, agribusiness firms, and consumers) over price, marketing arrangements, contradictory goals, etc.. With regards to conflict over price, for example, commercial farmers in a capitalist market economy, either individually or through collective bargaining (e.g. a marketing board), would seek higher prices for their commodities. Agribusiness corporations, who are involved in processing and marketing, have an interest in keeping the farm gate price low, thereby minimizing their own input costs. Further, agribusiness corporations involved in the production of agricultural inputs, are interested in increasing or maximizing the consumption of fertilizer, chemicals, machinery, feed, etc., in order to maximize their profits. Consumers, who tend to be oblivious in regards to the intricacies of the agri-food system, will generally favour a cheap food policy that ensures a low cost, high quality food product, although they may also express some support for the preservation of an efficient family farm (see Sinclair, 1980).

The various segments of the agri-food 'chain' may also be in conflict with respect to the competing goals of agricultural policy, and especially over the goals of supply

management. It has previously been argued that producers and agribusiness interests are often in direct conflict in the policy-making process, or in some special situations their mutual interests may transcend beyond the price negotiation process, resulting in a consensus over the form and structure of a marketing board. In the latter situation, it is necessary to consider the broader goals of a marketing board, and examine how they place the various competing interest groups in an antagonistic or allied position. In this context, the description by Troughton (1987 and 1989), who identifies 12 goals of supply management by primary interest groups (producer, agribusiness, government, and consumer), is particularly useful (see figure 4.1). From the 10 goals of producer groups, the goals to (i) maintain or increase farm income, (ii) stabilize producer prices, (iii) ensure equitable access to markets, (iv) ensure protection from agribusiness oligopolies, and (v) maintain the family farm, are in conflict with the interests of agribusiness. Meanwhile, of the 5 goals advocated by agribusiness corporations, the goal of safeguarding the overall food supply (a goal that has been promoted primarily by the state in response to consumer demands), is in conflict with the interests of producers. The overall result is that producers and agribusiness interests are in direct conflict over 6 different goals of supply management, while sharing a varying degree of interest towards the goals of market efficiency, quality of product, protection from import competition, and the elimination of surplus.

Given the potential for conflict and a broad sense of its content, the fundamental question that must be addressed concerns how the articulation of interests from the competing segments of the agri-food system have influenced the divergent forms of agricultural policy in the dairy and beef livestock industries in Canada. In order to undertake such an analysis, however, a clear methodological framework for conflict analysis is required. The discussion will now present a brief overview of the general conflict literature, including a model of conflict resolution that can be applied to the agricultural policy-making process in Canada.

Figure 4.1: The Goals of marketing board and supply management arrangements identified by participant groups in the Canadian agriculture and food system



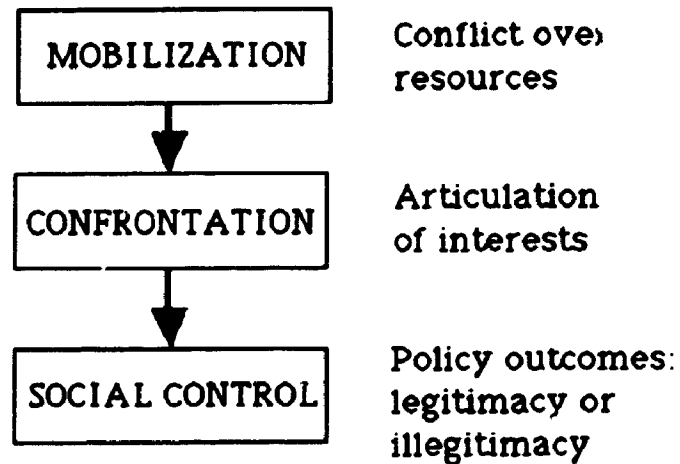
Source: Troughton (1989), Figure 1, p. 368.

4.3 Conflict theory and a model of conflict resolution:

In some respects, conflict theory has an element of universality, as it is often applied to conflict phenomena regardless of the duration, scale, geographic spread, or outcome of confrontation. Given the breadth of its application to phenomena in conflict, many theorists have attempted to search for a general theory which applies to all of its forms (e.g. see Oberschall, 1968), and yet the illusiveness of this goal has resulted in at least one of these theorists to question the assumption that all conflicts have common elements and general patterns (Boulding, 1962). Within the broad theoretical literature on conflict, it is, nevertheless, generally accepted that the process of conflict can be characterized as following three basic stages: mobilization, confrontation, and social control (see figure 4.2), all of which have applicability to the agricultural policy-making process in Canada. Mobilization refers to the process by which groups assemble resources for challenging their opponents; confrontation refers to the articulation of competing and often conflicting interests; and social control is the process by which groups seek to protect their own interests (Oberschall, 1968). In other words, these stages incorporate: (i) the root cause of conflict, which is commonly described as competition over scarce resources; (ii) conflict leading to a competitive struggle between individuals, groups, organizations and economic classes; and (iii) the resolution of conflict, resulting in the creation of some form of social control mechanism (e.g. a new institutional structure) which leads to either legitimacy and social order, or to illegitimacy and revolution against the system (Duke, 1976).

The process of conflict resolution closely parallels the policy-making process, particularly in the context of a commission of inquiry; therefore, it provides the basic analytical structure for the primary analysis. Subsequently, the analysis of the dairy and

Figure 4.2: Stages in the process of conflict resolution



Source: Adapted from Oberschall (1968) and Duke (1976)

beef livestock industries is structured within the three basic conflict stages. In the following two analysis chapters, the first section of the discussion briefly documents the background, as described in the secondary literature, that led to each commission of inquiry. The initial section thereby focuses upon the root causes of conflict that prompted the Federal or Provincial government to investigate a crisis in each industry. In the second section, the discussion focuses upon the stage of confrontation; specifically, the analysis of primary data involving the articulation of interests and perceptions of the agri-food crisis as expressed by all participants submitting formal written briefs to each commission of inquiry. This part of the analysis also involves the broader consideration of the dynamics surrounding each commission of inquiry, e.g. the location and timing of the hearings, the members of the commission, and other factors which might reflect a bias in the structure of the inquiry. Lastly, the discussion focuses upon an evaluation of the resolution of conflict, at two levels of analysis: (i) a comparison of articulated interests with the recommendations of each inquiry; and (ii) a comparison of articulated interests with the legislative response to the official report that emerged from each commission of inquiry.

4.4 A proposed integrative theoretical framework:

While the general model of conflict analysis provides a definite structure to the policy-making process, the model tends to suffer from its 'neutral' status or lack of a specific epistemological base. In keeping with the geographical literature that has called for a more critical theoretical approach to the investigation of the agriculture-agribusiness-state relationship, conflict theory can also be supplemented by the incorporation of one or more critical theories of the state. In this case, an integrated theoretical framework is proposed for the analysis; a framework that incorporates the 3 ontological models of the state within the conflict resolution model.

According to many conflict theorists, using conflict theory with a combination of other perspectives adds strength to the analysis:

The [researcher] who begins with a conflict perspective but who adds to this basic perspective the insights and methods of other theoretical orientations will be strengthened thereby and better able to deal with a variety of diverse phenomena and dependent variables (Duke, 1976; p. 220).

As to which specific epistemological perspective should be used with conflict theory, however, is also subject to considerable debate within the conflict literature. Both Duke (1976) and Coser (1967), for example, suggest that a combination of perspectives should be used. Duke (1976) argues that an eclectic view may have the strongest explanatory power, by incorporating the strengths from the pluralist and monolithic (class) perspectives. Some situations may be better explained by a monolithic power structure, while others may be more diffused and pluralistic. Coser (1967) concurs with such an eclectic view, suggesting that a balanced approach which takes into account both the normative-functional and Marxian perspectives provides a more mature theoretical scheme.

As discussed in chapter 2 (see above), theories of the state, the formation of public policy, and in this case the process of conflict are generally derived from three ontological models: the pluralist view, the elite/corporatist view, and the structuralist view. Although

structuralist view. Although each theoretical perspective differs in its orientation, each view has something to offer towards our general understanding of conflict within the Canadian dairy and beef livestock industries. Consequently, it is argued that an integrative theoretical framework that combines a synthesis of these views within the general model of conflict analysis, will provide considerable explanatory power to the investigation of the uneven development of marketing boards in Canada. The core constructs of each perspective, in relation to the three basic stages in the process of conflict: (i) mobilization of competing interest groups, (ii) role of the state, and (iii) social control and the outcome of policy, are briefly summarized in table 4.1.

Within the pluralist view of the state and society, it is generally accepted that the capitalist economy is rooted in market efficiency, individual freedom, and the sanctity of property rights. Stability and social order is accepted as the norm, whereas conflict is perceived as the pathological exception. The democratic aspect of society is viewed as maximizing potential participation within the political process. Since participants are organized in a non-hierarchical order by their specialized functions, e.g. sex, age, race, religion, political party, etc., theoretically, all groups have an equal opportunity to influence state behavior. The state apparatus acts as an umpire amongst competing economic interests groups, while intervening to resolve conflicts that threaten the fabric of society. Outcomes of conflict are typically achieved through the consensus of participants, or can be explained by the interaction of the skills, preferences, and resources of the participating interest groups. State intervention is seen primarily as protecting both the private ownership of production and property rights. In terms of an analysis of participating interests, the empirical focus is upon all individuals, groups, and organizations submitting briefs to each commission of inquiry.

Table 4.1: Power, conflict and theoretical perspectives of the state

Stages in the process of conflict	Theoretical perspectives of the state		
	Pluralist	Elite	Structuralist
Mobilization of competing interest groups	Groups are organized by their specialized functions (e.g. sex, age, religion, political parties, etc.); the democratic process maximizes potential participation and for all groups to influence state behavior	Distinction between corporate actors and individuals; organizations and corporate actors are commanded by elites and managers	Class distinctions within society; classes distinguished between those owning the means of production and those employed in wage labour
Role of the state	State acts as an umpire amongst competing economic interest groups; the state intervenes to resolve conflicts that threaten the fabric of society	State acts to negotiate with organizations who have been given equal representation by the state	State acts as an instrument of class rule; the state acts to maintain the capitalist mode of production, and functions in the long-term interests of capitalism
Social control and the outcome of public policy	Outcomes are explained by the interaction among the skills, preferences, and resources of the participants; state intervention is seen as protecting the private ownership of production	An alliance of elites in executive and corporate bureaucracies have been taking power from traditional democratic institutions; outcomes are explained by the ability of elites or managers of organizations to influence the state	Outcomes reinforce the position of the dominant class and the subjugation of other classes
Empirical focus	Upon all individuals, groups and organizations	Upon corporate actors, organizations, elites and managers	Upon class struggle

Source: Adapted from Alford and Friedland (1985)

The elite or corporatist view recognizes that in an economic system with a constantly changing equilibrium, conflict is the norm, and not an abnormal or pathological exception. This view distinguishes between 'juristic persons' or corporate actors, and individuals. Organizations and corporate actors are commanded by elites and/or managers, and have substantive influence upon the political process. The state acts as a negotiator with organizations who have been given representational monopoly over certain segments of society. Within the political process, these organizations are generally given equal representation by the state. Individuals are perceived as losing direct participation within the democratic process, as an alliance of elites in executive and corporate bureaucracies have taken power from traditional democratic institutions. Outcomes are achieved through the consensus amongst participating organizations, or can be explained by the ability of elites or managers of organizations to influence the state. The empirical focus is upon the corporate actors and organizations submitting briefs.

The class, Marxist, or structuralist perspective also recognizes conflict as the norm, and not an abnormal or pathological exception. Society is distinguished by class, differentiating between those owning the means of production and those employed in wage labour. The state does not respond to all participants within the political process, but acts as an instrument of class rule. State actions tend to maintain the capitalist mode of production while functioning in the long-term interests of capitalism. Outcomes of policy tend to reinforce the position of the dominant class (capital), while serving to subjugate the interests of other classes (labour). The empirical focus is upon the different classes engaged in class struggle.

4.5. Content analysis:

While an integrative theoretical framework serves to direct the empirical focus in an investigation of the agricultural policy-making process in Canada, an additional problem

that must be addressed concerns the technique that can be employed to facilitate an analysis of the two commissions of inquiry. Beyond a descriptive-narrative approach, how can one interpret a large data set, that is composed of many background papers, thousands of pages of transcripts and hundreds of briefs? Content analysis is one technique that is appropriate for such an investigation, given its applicability to communication data, its use within the geographical discipline, and particularly in terms of its compatibility with conflict theory (see Duke, 1976).

Content analysis has been defined as "a phase of information-processing in which communication content is transformed, through objective and systematic application of categorization rules, into data that can be summarized and compared" (Holsti, 1969; p. 3). It is a method that attempts to bring order into the study of communication content, through the application of standard methods of scientific investigation. As a tool, an advantage of content analysis is its ability to yield numerical data from mediums of communication; consequently, the method garnered considerable attention within the social sciences during the 1960s and 1970s, especially amongst researchers who were embracing new statistical and quantitative techniques of analysis in their discipline. In comparison with the standard narrative-descriptive approach, content analysis was perceived as a more rigorous positivist technique; particularly, in terms of aiding the researcher in the interpretation of large sets of communication data (see Holsti, 1969). Subsequently, during the early 1970s, content analysis began to appear within the geographical discipline, and was used to interpret newspaper content in historical geography (Moodie, 1971; Hayward and Osborne, 1973; Osborne and Reimer, 1973), and in urban geography (Janelle and Millward, 1976; Ley and Mercer, 1980).

Within the study of geographical phenomena, there are two basic types of content analysis that have been used, either a qualitative approach (see George, 1959) or one of many variations of quantitative methods, e.g. frequency count analysis, contingency analysis, and evaluative assertion analysis (see Osborne and Reimer, 1973). After reviewing the

various types of content analysis, and in consideration of the results from a pre-test sampling of briefs, a dual approach (a combination of qualitative and quantitative techniques) was selected as the most appropriate method to assist in the interpretation of the data. A qualitative analysis was first used to identify the presence of the major themes for all of the submitted briefs. This was then followed by a more rigorous application of a basic quantitative approach, involving a more detailed analysis of themes for a selected sample of the 'elite' briefs that were submitted by the representatives of the producer, agribusiness, and consumer organizations, and from government or academic 'experts'. The analysis was also supplemented by scanning the 9,000+ pages of transcripts that accompanied the two inquiries. In both complete sets of transcripts, the exchanges (questions and answers) between members of the commission and 'elite' representatives were closely reviewed.

The decision to use both a qualitative and quantitative approach to the data was due, in part, to the limitations and constraints of the briefs submitted to both commissions of inquiry. In theory, defining the parameters of the coding procedure is a relatively straightforward process; however, during the collection of data, it was quickly discovered that the actual application of the technique is often more difficult than the literature suggests. Essentially, many problems were encountered while designing and implementing a coding methodology, e.g. establishing categories, units of analysis, and the context unit.¹ Collectively, the coding problems associated with the briefs added up to a large methodological headache, and basically resulted in a decision to eliminate the option to apply any of the more rigorous quantitative techniques to the entire set of the submissions. The coding problems seemed to be resolved, however, by applying a combination of both

¹ Unlike an analysis of newspaper content, which offers a standardized format, e.g. paragraphs, columns, etc., there was considerable variability in the style and format of the 270+ submitted briefs. While this variability was perhaps a reflection of the wide spectrum of participants to each commission of inquiry, it made the application of a rigid statistical technique impractical, if not unworkable.

types of content analysis to the appropriate subset of briefs, while employing a modest amount of flexibility in the qualitative coding process.²

There were also a number of interrelated constraints associated with the data collection process, which further dictated the need for a dual content analysis. The first constraint dealt with the amount of material that was examined for each commission of inquiry, specifically over 270 briefs and over 9,000 pages of transcripts. In this case, the general problem involved reducing the voluminous amount of information to a manageable size within a finite period of time. This involved a logistical problem involving a limited amount of time, human and financial resources to analyze the material. The problem in this case was straightforward, involving the trade-offs associated with employing and training coders versus being solely responsible for the data collection and content analysis. An additional constraint involved the rules and regulations at the National Archives of Canada and the Provincial Archives of Ontario, which affected access to the material. At both institutions, there were strict limitations applied to the amounts of archival data that could be reproduced. Combined, all of these constraints represented formidable obstacles, but were overcome by employing a combination of qualitative and quantitative approaches to content analysis.

The decision to by-pass more rigorous types of quantitative content analysis was also based upon theoretical grounds. The principal theoretical argument is that the intensity of the theme is secondary to acknowledging the presence and the direction of meaning for specific concerns. This is particularly relevant since (i) the focus of the research lies in the stratification of influence and power between interest groups; and (ii) a number of key themes were only articulated during the actual hearings, and were not expressed in the corresponding briefs. Within an integrative theoretical framework of analysis, it is simply

² All of the briefs were examined in the qualitative analysis. In situations whereby the briefs were not written in paragraph form, the unit of text to identify a theme was a sentence.

more important to identify which groups express specific themes, rather than measuring the intensity of the argument (e.g. see Ley and Mercer, 1980). It is also important to note that these are arguments which have been advanced in recent theoretical contributions to content analysis research; specifically, from Scandinavian scholars who have attempted to use a qualitative method of content analysis as a means of linking the Positivist and Marxist theoretical approaches (e.g. see Sepstrup, 1981).

In the broader theoretical context, there has been renewed interest in the qualitative method of content analysis from scholars who have been attempting to bridge the gap between the European and American approaches in social science research (see Rosengren, 1981a; 1981b; Lindkvist, 1981; and Sepstrup, 1981). In recent years, there has been growing disenchantment amongst Scandinavian scholars, towards the propensity of American academics to be pre-occupied with developing even more complex and precise quantitative techniques of content analysis. The basic argument that emerges from the Scandinavian critics is that a quantitative measurement of content is secondary to a qualitative assessment, specifically within the context of more critical theoretical approaches of analysis. Subsequently, a qualitative analysis of content may also act as a means of linking the Positivist and Marxist approaches. Although exploratory in its approach, Sepstrup (1981) attempts to measure women's roles in magazine and newspaper advertising, through a qualitative content analysis and defends this method on the following grounds:

Qualitative analyses will always be necessary to produce actual understanding, to give detailed descriptions and analyses which are to describe and comprehend overall media content. But they will always be unable to cope with large amounts of data, and their results will be difficult to communicate and will have low general credibility. Traditional positivistic quantitative content analyses will always be suitable for describing many simple forms of data, and their results are easily communicated and normally enjoy considerable credibility. But they are always inadequate when it comes to understanding the texts and explaining their content, especially in a broad societal context (Sepstrup, 1981; p. 155).

On theoretical grounds, then, a combination of qualitative and quantitative approaches should also provide a balance between a description and explanation of content.

4.6 The content analysis design and procedure:

In terms of the basic design, the parameters selected for the content analysis generally followed the conventional methods that have been employed elsewhere in the geographical literature. First, categories should "reflect the purposes of the research, be exhaustive, be mutually exclusive, independent, and be derived from a single classification principle" (Holsti, 1967; p. 95). Although there were differences in the geographical extent and scope of each inquiry, it was possible to select a comparable set of major categories that were applicable to both conflicts. Second, the recording unit chosen for the analysis was the theme, which is a single assertion about some subject, and is generally regarded as the most useful unit of content analysis (Holsti, 1967). In order to recognize a theme, however, it must be clearly established within a specific unit of text, e.g. a sentence or a paragraph, to be acknowledged. Since it is generally recognized in the literature that a paragraph is of sufficient length that lends itself to the classification of a single category, a theme had to be fully developed within a paragraph.³ Third, the context unit, which is commonly known as the largest body of content that will be searched to characterize a recording unit, was each entire brief, including supplementary information. Information obtained from the transcripts was only used to assist in the overall investigation, and was not subjected to content analysis.

The last design parameter that had to be determined concerned the method of measuring the intensity of perceived conflict. There were two questions that guided this process: 1. Are certain themes consistently perceived by specific groups along the agri-food

³ The exception involved applying a qualitative technique to submissions that were not written in paragraph form. In this case, the specific unit of text to identify a theme typically became a sentence or the entire brief.

production process, e.g. producers, processors, consumers, etc.?; and 2. How important are certain themes to specific organizations? In consideration of these questions, two different forms of conflict intensity were established, and are referred to in the discussion when deemed appropriate to the analysis. In the qualitative analysis, the frequency of themes was measured according to representation; essentially, in relation to the number of briefs submitted by an organization, their position along the agri-food chain, or as a sub-total of submitted briefs. In the quantitative analysis, the consistent format of the 'elite' briefs allowed for a different method of measuring the intensity of conflict. Following Janelle and Millward (1976) and Ley and Mercer (1980), who used column inches in newspaper reports, the number of paragraphs in the brief that refers to a particular theme was used as a surrogate measure for conflict intensity.

In terms of the actual procedure, the coding of the briefs can best be described as an evolving process. Initially, a preliminary set of principal categories were identified, based upon an understanding of the background literature on the agri-food system and the nature of conflict, and a review of the index for each commission of inquiry. From this set there emerged a more comprehensive list of major thematic categories, that were established for each industry. The selection of major thematic categories were then 'tested' after a review of approximately 20 briefs submitted to the dairy inquiry, and then re-examined after reviewing an additional 20 briefs from the beef livestock inquiry. After a few small modifications, it was decided to use these thematic categories as a guide, and literally manually record in detail the content of each of the 270+ briefs.⁴ The extensive notes from each brief, and, where applicable, the reproduced briefs from the 'elite' participants, were then subjected to a qualitative content analysis, according to the finalized major thematic categories. The final selection of the principal (see table 4.2) and major thematic categories,

⁴ In turn, the notes taken for each brief were eventually subjected to a qualitative content analysis, based upon the major thematic categories. When the coding procedure involved a lengthy or selected "elite" brief, reproductions of the submissions were obtained, which were then subjected to content analysis.

therefore, were based upon an interactive and intuitive process that combined anticipated themes from the secondary literature and literally "letting the data speak for itself".

From a qualitative analysis of the briefs, and a review of the transcripts, the final version of major thematic categories were expanded to facilitate a more detailed quantitative content analysis of a selection of "elite" submissions that were presented to each inquiry. After an additional review of the "elite" briefs, the selection of the detailed thematic categories were then finalized for the quantitative segment of the content analysis. The actual coding process of each 'elite' brief was based solely upon this author's interpretation of the content, and was repeated for each brief.⁵ In regards to the quantitative analysis, any discrepancy in tabulation that occurred for each brief was re-evaluated on a paragraph by paragraph basis, before settling upon a final 'count' for a particular theme. Although no additional coders were employed, it is believed that the rigorous procedure that was followed will ensure a high degree of accuracy for the content analysis.

4.7. Questions and hypotheses:

From this discussion, a series of general and more specific questions are presented that guided the analysis of conflict resolution in Ontario's dairy industry and the beef livestock industry in Canada. Further, a set of hypotheses are presented that focus specifically upon the development of a marketing board. The 7 general questions that shape the overall analysis of each commission of inquiry are the following:

1. What were the socio-economic and political circumstances leading to, and surrounding each commission of inquiry?
2. What were the concerns of the various interest groups and individuals who articulated their views to each commission of inquiry?

⁵ In order to ensure reliability, each "elite" brief was subjected to two 'rounds' of content analysis.

Table 4.2: Principal thematic categories for the dairy and beef livestock briefs¹

DAIRY	BEEF LIVESTOCK
I. Background information:	I. Background information:
1. Type of participant	1. Type of participant
2. Location of presentation	2. Location of presentation
	3. Recognition of a crisis
II. Perceptions of the crisis:	II. Perceptions of the crisis:
1. The cost-price squeeze	1. The cost-price squeeze
2. The production and marketing system	2. The production and marketing system
3. The method of exchange	3. The methods of exchange
4. Government policy	4. Government policy
5. Transportation	5. Attitudes and values
6. Attitudes and values	6. Processing technology
7. Technology and efficiency	
III. Solutions and recommendations:	III. Solutions and recommendations:
1. Free enterprise	1. Status quo
2. Status quo	2. Increased state intervention
3. Increased state intervention	

¹ The thematic categories were divided according to the general structure of most briefs: (i) background information and recognition of a crisis; (ii) the major portion of the brief, which involved the participant's perceptions of the crisis; and (iii) proposed solutions and recommendations.

3. Were policy recommendations directed towards inhibiting or aiding the processes of (i) agricultural industrialization, and (ii) rationalization and consolidation in the processing sector?
4. Whose interests were best served by the institutional mechanisms regulating production and distribution which emerged from each commission of inquiry?
5. What were the spatial and structural impacts of policy upon producers and agribusiness firms within each industry?
6. What primary interest groups appear to have suffered severe hardships from policy, and in what areas were they located?
7. What was the role of agribusiness and the state in the agricultural policy-making process?

In regards to each industry, a series of more specific questions are also posed:

1. What were the solutions proposed by the major farm organizations for each industry? How were these proposals similar and/or in conflict?
2. How concerned were producers with stabilizing, if not increasing, the price of their raw commodity? How concerned were producers with improving their bargaining position by establishing countervailing power?
3. How were the pre-inquiry marketing arrangements perceived by the various sectors of the production process? How did these perceptions influence the policy-making process?
4. Was there a convergence of ideology between large scale producers and agribusiness interests? If so, how did the resolution of conflict reflect these interests?
5. On what basis would the state and agribusiness interests support or reject a particular marketing board?
6. Was there a convergence of interests between producers and agribusiness firms, leading to the formation of the OMMB and the rejection of a beef marketing board?
7. What were the costs and benefits to producers and agribusiness interests with the introduction of supply management in the dairy industry? What were the costs and benefits to producers and agribusiness interests with the continuation of free enterprise in the beef livestock industry?
8. Which interest groups were demanding greater efficiencies in agricultural production? What has been the impact of supply management upon the industrialization of agriculture in the dairy industry?
9. On what basis can the policy-making process be explained by geographical, geopolitical, structural, ideological or economic factors? How were the positions of cattle producers divided due to geographical, structural, ideological or economic factors?
10. Are marketing boards a threat to the private control of the food industry?

There are also 7 hypotheses that are presented, each based within one of the 3 ontological models. It should be recognized, however, that within conflict analysis, hypotheses are typically illustrative and are seldom testable; consequently, the following hypothetical scenarios focus specifically upon the articulation of demands and the role of agrarian, agribusiness and state interests, in the development of a marketing board:

1. If agrarian interests are in favour of a marketing board, agribusiness interests are against a marketing board, and the state is either neutral or supportive of agrarian interests, then the outcome of the policy-making process will be the creation of a marketing board.
2. If there is no agrarian consensus for a marketing board, agribusiness interests are against a marketing board, and the state is either neutral or supportive of agrarian interests, then the outcome of the policy-making process will be the maintenance of the status quo.
3. If the major farm organizations and the major agribusiness organizations reach a consensus in favour of radical change, then the state will facilitate the formation of a marketing board.
4. If the major farm organizations and the major agribusiness organizations cannot reach a consensus towards fundamental change, then the state will intervene to maintain the status quo.
5. If agrarian interests support the development of a marketing board and agribusiness interests are against a marketing board, then the state will act in class interests and intervene to maintain the status quo.
6. If agrarian interests support the development of a marketing board and agribusiness interests support a marketing board, then the state will act in class interests and facilitate the formation of a marketing board.
7. If large scale producers and the interests of agribusiness firms converge to dictate agricultural policy, then the state will act in the general class interests and supports their demands for either the maintenance of the status quo or the formation of a marketing board.

4.8 Conclusions:

The purpose of this chapter has been to outline a methodological framework to facilitate an analysis of the role of agriculture, agribusiness and the state in the agricultural policy-making process in Canada. Consequently, it has been argued that a methodology which incorporates a model of conflict resolution within the 3 general ontological models of the state, provides an appropriate integrative theoretical framework for such an analysis.

Within this framework, the fundamental focus of the following empirical investigation involves the documentation of the perceptions and proposed solutions towards two agri-food crises, as articulated by the various competing interest groups to each commission of inquiry. It is hoped that such an analysis will illustrate how spatial and non-spatial conflict between the various segments of the agri-food production process has resulted in two distinct forms of agricultural policy regulating production and marketing in the dairy industry in Ontario and the beef livestock industry in Canada.

Chapter 5: Conflict and the policy-making process in the Ontario dairy industry

5.0 Introduction:

In November, 1962, the executive of the Provisional Milk Marketing Board came to the stark realization that their membership, comprised of representatives from the 4 milk producer organizations, were incapable of reaching a mutual agreement on a marketing plan for a milk industry that was in a severe state of crisis. The provincial government in Ontario responded to the executives' request for the state to intervene, and promptly established a Committee of Inquiry to investigate the problems in the milk industry, and to recommend solutions to ameliorate the crisis. The Committee was facing the problem of revamping a complex regulated system that had, until recently, functioned successfully for almost 3 decades. In this case, the Committee and the policy-makers had to choose from amongst 3 options: (i) a complete return to an unregulated, free enterprise system of production, marketing and distribution; (ii) the retention of the status quo, with minor modifications; or (iii) a movement towards further state intervention involving the complete overhaul of the institutional regulations and a restructuring of the production and processing/distribution sectors of the industry. In the Report of the Ontario Milk Industry Inquiry Committee (Hennessey et al., 1965), the Committee selected the last option, and their recommendations formed the basis of the government legislation that was passed in the provincial legislature as the Milk Act (R.S.O., 1970, c. 273). How and why the state intervened to resolve the dairy crisis through what can only be described as 'radical' legislation, is the focus of this chapter.

In the first section an overview of the dairy industry in Ontario is presented, outlining the patterns of production and processing, and the institutional structure that had evolved from a state of relative stability under regulations introduced during the mid-1930s to a point of crisis by the early 1960s. In section two, the discussion focuses upon the

roots of the dairy crisis that eventually led to the establishment of a Provincial Committee of Inquiry, in May, 1963, whose members were given the responsibility of undertaking a thorough investigation of the milk industry in Ontario. Drawing upon the Report of the Inquiry (Hennessey et al., 1965), secondary sources written by dairy representatives (e.g. Clarke and Brethour, 1966; and Hurd, 1982), and trade journals from the dairy industry (The Ontario Milk Producer and The Canadian Dairy and Ice Cream Journal), this section broadly defines the major problems facing the milk producers, manufacturers and distributors operating in Ontario at that time. An important characteristic of the dairy crisis was the failure of producers to organize themselves on a voluntary basis into one comprehensive producer marketing board.

In section 3, a brief preliminary analysis of the 1963 Ontario Milk Industry Inquiry Committee¹ is presented, including an examination of (i) the terms of reference for the Inquiry, (ii) the composition of the Committee and the principles guiding them, (iii) the temporal and spatial dimensions of the hearings, and (iv) the possibility of an elite bias to the hearings. Although the Inquiry was intended to solicit broad views from throughout the industry, and the Committee conducted the hearings in an open and democratic manner, the overall format of the hearings were clearly skewed towards the major elite participants; specifically, the organizations representing the major producer groups and the manufacturing and processing sector.²

A dual content analysis, combining both qualitative and quantitative techniques, is presented in sections 4 and 5. The qualitative analysis is based upon an interpretation of

¹ Hereupon referenced as O.M.I.I.C., 1963. This refers to the background papers (briefs and transcripts) to the Inquiry. The Report of the Inquiry is cited after the members of the Committee, beginning with the Chair, e.g. Hennessey et al. (1965).

² The dairy industry beyond the farmgate, involved two types of manufacturing activity: the manufacture of milk products, such as cheese, butter and ice cream; and the processing and distribution of fluid milk. Hereupon the two sectors will be referred together as "processors" or the "processing sector".

summary tables for the 155 participants who submitted briefs to the Inquiry, while the quantitative analysis focuses upon 13 elite' submissions that reflected the interests of most organizations in the industry. In the latter case, the investigation of the elite participants involves representatives from each of the major dairy producer organizations, the major milk manufacturing and processor-distributor associations, organized labour, and consumer groups. The quantitative analysis is supplemented by a selected investigation of over 5,000 pages of transcripts to the hearings, specifically involving exchanges between the Committee of Inquiry and the elite participants. Time constraints did not allow for a detailed investigation of the transcripts beyond the presentations by the elite participants.

The last section examines the principal recommendations presented in the Report, vis-à-vis the perceptions of the elite participants towards the crisis and their proposed solutions to the crisis. The relationship between the government response to the crisis and the interests of competing segments of the dairy industry is further explored in consideration of key sections to The Milk Act (R.S.O., 1970, c. 273). The Report of the Inquiry formed the basis of the government legislation, yet subtle differences between the policy recommendations and the actual legislated response to the crisis suggests that other forces were operating in the policy-making process. Response to both the Report of the Inquiry and to The Milk Act (R.S.O., 1970, c. 273) from the major producer and processor groups are also considered, as expressed in their respective trade journals.

5.1: The Ontario dairy industry in the early 1960s:

The spatial pattern of the Canadian dairy industry has historically been one of concentration in the provinces of Ontario and Québec, which contain the bulk of the national production of raw milk, the manufacturing of milk products, and the processing and distribution of fresh milk. In 1963, for example, dairy farmers in the two most populous provinces were responsible for 70 percent of the total milk production in Canada

(Table 5.1). Due largely to the favorable geography of the Great Lakes - St. Lawrence Lowlands region, the historical patterns in production, population distribution, and the perishability of fresh milk, manufacturing and processing activities have also been concentrated in these two provinces. Together, the two provinces accounted for 68 percent of the creamery butter and 96 percent of the cheddar cheese produced in Canada in 1963. The concentration of the dairy industry can also be illustrated in the distribution of dairy manufacturing and processing plants (table 5.2), with Ontario and Québec having 645 and 544 establishments, respectively; representing 74 percent of the total number of dairy establishments.

Within Ontario, the dairy industry by the early 1960s was a diverse system of production, manufacturing and processing activity, and transportation services, which were collectively experiencing rapid change. In the production sector, the decline in the number of farms that was taking place across the country and in all commodities was also evident in dairying (table 5.3). In Ontario, the number of farms with milk cows were declining rapidly, with a 33 percent loss between 1951-1961. Most of this loss involved farmers that operated small scale mixed-farms with fewer than 12 milk cows, produced manufacturing quality milk, and who were forced to shift production into other commodities or simply exit from farming altogether (table 5.4). More than 30,000 producers with less than 7 milk cows ceased producing milk for other than on-farm consumption, between 1951-1961. Large scale and more specialized fluid milk producers tended to produce top quality milk for the higher priced fresh milk market, and were less susceptible to rationalization.

The surviving milk producers during this decade were becoming more specialized, and investing greater amounts of capital into their dairy operations, yet most production remained in the hands of small producers. By 1961, only 25 percent of the milk producers operated farms with more than 18 milk cows. The average dairy farm still only milked 14 cows (Hennessey et al., 1965), but the relatively small size of operations and the declining

**Table 5.1: Production of milk and certain dairy products,
by province, 1963**

Province	Total Milk		Creamery Butter		Cheddar Cheese	
	millions of lbs.	% of total	millions of lbs.	% of total	millions of lbs.	% of total
P.E.I.	216	1	5.4	2	1.1	1
Nova Scotia	346	2	3.1	1	-	-
New Brunswick	367	2	6.4	2	0.5	-
Québec	6,226	34	138.4	39	58.1	42
Ontario	6,541	36	103.1	29	73.8	54
Manitoba	1,049	5	24.9	7	0.8	1
Saskatchewan	1,112	6	26.9	8	-	-
Alberta	1,690	9	38.5	11	1.8	1
British Columbia	841	5	5.0	1	1.0	1
Canada	18,388	100	351.7	100	137.1	100

Source: Hennessey (1965)

Table 5.2: Distribution of dairy establishments by Province, 1963

Province	Number of establishments
Newfoundland	3
Prince Edward Island	22
Nova Scotia	44
New Brunswick	47
Québec	544
Ontario	645
Manitoba	72
Saskatchewan	60
Alberta	117
British Columbia	51
Total	1,605

Source: Annual Census of Manufactures, 1963

Table 5.3: Number of farms and farms with milk cows in Ontario, 1921-1961

Year	No. of Farms	Farms with Milk Cows	Percent
1921	198,053	171,336	86.5
1931	192,174	150,387	78.3
1941	178,204	N/A	-
1951	149,920	106,687	71.2
1956	140,602	94,948	67.5
1961	121,333	72,849	60.0

N/A: not available

Source: Hennessey (1965)

Table 5.4: Milk cows on farms in Ontario, classified by number reported, 1951 and 1961

Number of milk cows	1951		1961	
	Number of farms/percent			
1-2	20,999	19.7	9,699	13.3
3-7	33,895	31.8	14,426	19.8
8-12	28,797	27.0	16,341	22.4
13-17	12,630	11.8	12,079	16.6
18-32	9,238	8.6	15,937	21.9
33-47	886	0.8	3,240	4.4
48-62	160	0.1	762	1.0
63-77	36	*	208	0.3
78-92	23	*	82	0.1
93+	23	*	75	0.1

* less than 0.1 percent

Source: derived from Hennessey (1965)

farm numbers were more than compensated by increases in productivity. Although the number of milk cows had dropped by more than 75,000 between 1956-1963 (table 5.5), milk production actually increased by over 16 percent, based on a greater average output per cow. Associated with increases in productivity was a shift towards greater specialization and capitalization, which typically involved the adoption of improved techniques and technology into the production process. This trend towards modernization is illustrated by the growth of bulk milk handling in Ontario, which was adopted by most fluid producers and was becoming considerably more common on farms producing manufacturing milk; in fact, bulk tank operations were also rapidly being adopted in other sectors of the industry (see tables 5.6 and 5.7).

Table 5.5: Milk cow population and total milk production in Ontario, 1956, 1961 and 1963

Year	Milk Cows (000s)	Milk Production (million pounds)
1956	1,026	5,626
1961	992	6,271
1963	950	6,541

Source: derived from Hennessey (1965)

Table 5.6: Growth of bulk milk handling in Ontario, 1953-63

Year	Producers with bulk tanks	Number of bulk transports	Plants with bulk handling
1953	15	1	1
1957	1,365	63	32
1960	6,322	274	116
1963	8,194	409	199

Source: Hennessey (1965)

Table 5.7: Statistics on bulk tank and pipe-line installations in Ontario,
1962 and 1964

	1962	1964
	Number	
Fluid markets having bulk milk	75	93
Dairies having bulk milk	145	181
Processing (manufacturing) plants having bulk milk	27	57
Bulk milk transports to dairies	338	380
Bulk milk transports to processing plants	38	87
Producers on bulk:		
fluid producers	7,258	7,601
manufactured milk producers	525	1,634
Producers having pipe-line milking installations	595	750

Source: Canadian Dairy and Ice Cream Journal, (July, 1965).

As to marketing in the early 1960s, there were four separate arrangements that dictated the price of milk. Under separate marketing arrangements for fluid milk, milk for concentrated products, cheese milk, and cream for the manufacture of butter, producers shipping milk or cream under each arrangement were represented by their own producer organization. The average price received by producers tended to vary between these different marketing arrangements, whereby the price of fluid milk was almost twice as high as the price of milk for cheese or other manufacturing purposes (table 5.8). The price of fluid milk was determined through collective bargaining, which had been introduced in 1947, within each marketing area. Negotiations were conducted on a market by market basis, with producers represented by the Ontario Whole Milk Producers' League (OWMPL) and the distributors represented on an individual basis. Officially, there were 225 markets and areas identified in The Milk Industry Act (R.S.O. 1960, c. 239), although for bargaining purposes this number could be reduced to 145. The price in each market area was tied to a pricing formula, with some provision for local conditions, which became compulsory in 1957 and was calculated by the Milk Industry Board. The Milk Industry Board, which was composed of three members: one producer, one processor or distributor, and one independent chairman, was also responsible for resolving price

disputes through arbitration. Other notable features of fluid milk marketing include the quotas that tied producers to individual dairies, yet the freedom for milk to be sold across provincial boundaries to processors in neighbouring provinces. In the latter case, there were 3 significant flows of milk over provincial boundaries: (i) the flow of fluid milk produced in eastern Ontario into the Montreal market; (ii) the limited flow of Manitoba milk into parts of Northern Ontario; and (iii) the two-way flow of milk between Ontario and Québec in the Ottawa region.

**Table 5.8: Average farm value of milk and cream sold by farmer
Ontario, 1959-1963**

Year	Cheese milk (per cwt.) \$	Manufactured milk (per cwt.) \$	Fluid milk (per cwt.) \$	Average of all sales as milk (per cwt.) \$
1959	2.86	2.61	4.71	3.21
1960	2.48	2.63	4.84	3.15
1961	2.41	2.55	4.84	3.08
1962	2.67	2.57	4.83	3.11
1963	2.84	2.61	4.88	3.19

Source: Hennessey (1965)

The price of milk for manufacturing purposes (otherwise known as concentrated milk) was negotiated between the Ontario Concentrated Milk Producers' Marketing Board (OCMPMB) and the Ontario Concentrated Milk Manufacturers Association. Prices differed according to 1 of 4 categories, depending upon the end use of the milk, but did not vary on a regional basis; the price for manufacturing milk was uniform throughout the province. The price of cheese milk was essentially determined by the price of cheddar cheese that had been obtained from exports to the United Kingdom, through the Ontario Cheese Producers' Marketing Board. Officially, the price for cream was negotiated between the Ontario Cream

Producers' Marketing Board and the creameries, but since World War II, the minimum price for cream had been effectively set by the Federal government's floor price for farm separated cream. The Federal government, who also provided an export subsidy on skim milk powder and cheddar cheese, took on the responsibility of purchases and storing an increasing surplus of butter. Additional aspects of the manufacturing milk sector were that production quotas did not exist for any of the other types of milk or cream, while interprovincial movements of manufactured products were unimpeded by government policy.

In turn, the processing sector was divided between plants that processed fluid milk (otherwise known as distributors), plants that manufactured milk products (such as ice cream, skim milk powder and evaporated milk), cheese factories, and creameries. Fluid milk was processed by either processor-distributors or producer-distributors, and was largely sold through home delivery, subject to distribution restrictions. The distribution of fluid milk was highly regulated, whereas the distribution of manufactured milk products, cheese and butter was unrestricted throughout Ontario and between provinces. Processors were granted licences to distribute fluid milk products in designated areas, while they were prohibited from home delivery in any other area. An exact pattern of distribution areas that existed in the early 1960s is extremely difficult to identify, since each issued license included a detailed description of the area authorized for distribution.³ Although marketing areas were closely tied to distribution areas, there did not appear to be a perfect match in their delineated boundaries.

³ According to Hennessey et al. (1965), the description for the Toronto distribution area runs to about 800 words. A ledger book listing all of the processors and distributors operating during the 1960s was examined at the Ontario Ministry of Agriculture and Food, which made reference to the townships that each of the 500+ processors were licensed for distribution. It was estimated that 125 distribution areas existed in the mid 1960s (see McCulloch and Carbert, 1976).

As in the production sector, the processing sector had also undergone rapid change since the 1930s, largely brought about by changes in consumption patterns and the adoption of new technological innovations, such as pasteurization, advances in packaging and refrigeration, and a shift from horse-drawn delivery wagons to motor trucks. Perhaps the most significant change at the processing level was the substitution of technology for labour, such as the rapid adoption of bulk tanks which displaced the labour intensive handling of milk cans, and which was also revolutionizing the transportation sector. Consumption patterns were also changing, such as the decline of home delivery and a corresponding rise of supermarket purchases, which by the mid 1960s were accounting for 45 percent of all fluid milk sales in Ontario.

A consequence of these changes was the rapid reduction in the number of establishments throughout the dairy manufacturing and processing sector (table 5.9). Within fluid milk distribution, for example, the number of distributors operating in Ontario had declined from 650 in 1936 to 400 by the mid 1960s, while the traditional producer-distributor (estimated to number 1,000 during the depression) had virtually disappeared (see Allan, 1965; and Mitchell, 1975). Rationalization was even more pronounced in some urban areas, as the number of dairies operating in the Toronto market had declined from 52 distributors in 1947 to only 17 in 1964.

Despite this rationalization, control of the processing and manufacturing sectors of the dairy industry was widely distributed in terms of ownership. Control over the entire provincial market by large corporations was modest in terms of market share, estimated to be less than 30 percent of all fluid sales in Ontario, yet extensive in terms of distribution. For example, Silverwood's Dairies Ltd., Borden Co. Ltd. (a Canadian subsidiary of the U.S. based corporate giant), and Dominion Dairies Ltd. operated 34 plants in 19 different urban centres, and were licensed to distribute in 30 different counties across the province (O.M.A.F., 1967). Yet despite the increasing dominance of the major corporate dairies, independently owned establishments continued to have a strong presence in the major

urban markets of Hamilton (Royal Oak Dairy), Ottawa (Clark's Dairy) and Toronto (Donland's Dairy and Findlay's Dairy), while a majority of dairy establishments in smaller centres were still in the hands of small scale and locally owned private companies.

The cheese manufacturing sector during the early 1960s can be described in similar terms. Consolidation in cheese manufacturing activity had been an ongoing process since the Great Depression (see Cartwright, 1965 and 1966), but ownership was still largely broad based. Despite the increasing presence of such corporations as Kraft Co. Ltd., in 1963, it was estimated that 51 percent of cheddar cheese production in Ontario was manufactured by privately owned factories, with 37 percent of production involving some form of farmer co-operative ownership. Corporations were estimated to manufacture only 12 percent of the total provincial production of cheddar cheese (Hennessey et al., 1965).

Table 5.9: The number of dairy establishments in Ontario and Canada, 1961-1965¹

Year	Ontario	Canada
1961	692	1,710
1962	665	1,667
1963	645	1,605
1964	618	1,535
1965	574	1,413

¹ excludes process cheese manufacturers, but includes butter and cheese plants, pasteurizing plants (fluid milk), condenseries, and ice cream manufacturers.

Source: Annual Census of Manufactures (1962-1966)

5.2: The chronic milk crisis:

For the most part, the institutional arrangements that were introduced in the mid 1930s, with periodic amendments, worked reasonably well for the Ontario milk industry.

By the late 1950s, however, the industry was in a severe state of crisis:

The state of milk marketing in Canada in the late 1950s and early 1960s was depressed and conditions over this period were getting progressively more chaotic. The majority of producers were disenchanted with their lot, and

were constantly frustrated in their attempts to do something to alleviate the problems of inequity and low income in their industry (Hurd, 1982; p. 3).

The crisis extended throughout the milk industry, involving various facets of production, marketing and processing, and particularly in terms of the institutional arrangements that were no longer capable of successfully regulating these activities. From a review of primary and secondary sources (see particularly Carncross, MacFarlane and Wood, 1961; Hennessey et al., 1965; and Hurd, 1982), a list of 13 significant problems is presented which represents the issues that were consistently identified as afflicting the industry:

1. Varied prices for milk: Fluid milk producers were producing surplus milk in excess of quota requirements. The surplus milk was finding its way into the manufacturing milk market, which gave the producers a much lower return than the higher priced fluid market. The price of this milk was not under the jurisdiction of the OWMPL, but the responsibility of the OCOMPMB. Fluid producers also had no control over the redirection of milk, but were being charged extra for additional transport costs.

2. Varied financial returns to fluid milk producers within a market: Since each individual producer was tied to a specific distributor, the income received by fluid producers was dependent upon the rise or fall of that dairy. This resulted in some fluid producers having their quotas increased, while those contracted with other dairies experiencing quota reductions.

3. Rigid and unrealistic pricing: Price differentials for the butterfat in fluid milk had been favouring high-test shippers (the Channel Islands Breeds), in relation to standard shippers (Holstein breed). A small price differential of 3.5 ¢ per volume of butterfat made high-test milk the preferred choice of many processors. Distributors with multi-product plants would market 2 % milk and use the skimmed cream for butter production. Under the Federal dairy policy, the government offered to purchase all surplus butter at a guaranteed price of 64¢ per lb.; consequently, the processors could actually sell the butterfat (as butter) for more

than it originally cost. The resulting preference for high-test shippers was having a downward effect on the size of quota for standard shippers.

4. Low prices in the manufactured milk sector: Surplus milk from the fluid market and a movement of cream producers into the manufactured milk market had created a surplus of manufactured milk. With low prices, manufactured milk producers were experiencing a severe cost-price squeeze.

5. Restricted access to the fluid market: Despite producing milk of equal quality (Grade A milk), manufactured milk producers did not have access to the more lucrative fluid market. Combined with the propensity of excess fluid milk to find its way into the manufactured milk market, feelings of animosity were high between the two groups of producers.

6. The breakdown of distribution areas: Under the existing legislation, it was not illegal for supermarkets or specialized milk stores to purchase milk on a wholesale basis from outside their distribution area. This resulted in competition between small dairies (and local producers) and larger distributors (and non-local producers). At the same time, distribution boundaries were restricting the ability of many processors to extend their activities to neighbouring markets.

7. Stagnant fluid milk consumption: Consumers were increasing their consumption of lower priced alternatives to fluid milk, such as multi-milk (concentrated milk), reconstituted milk, and whole milk powder. Fear over the uninhibited consumption of animal fats was also causing a shift from standard to 2% milk.

8. Multiple product plants: With single product plants, distributors traditionally drew their sources of supply from fluid milk producers, while manufacturing plants secured their

supplies from producers of manufacturing quality milk. By the early 1960s, fluid milk plants were diversifying into multiple products, and using surplus milk from fluid producers for their own manufacturing purposes. Multi-product plants were also contributing to consolidation in the industry (see Gough, 1984).

9. Duplication in Transportation: There were considerable inefficiencies in the duplication of milk collection routes. This was largely attributed to different modes of collection (cans verses bulk tanks) and quality (fluid verses manufacturing milk). Producers were paying for these inefficiencies in transportation.

10. Federal dairy policies: The Federal government had taken an active part in the milk industry through support prices, subsidies and import controls. Since these policies were annually reviewed, each year they generated considerable anxiety throughout the industry; consequently, producers were demanding a government commitment to long term policy. The most notable feature of Federal government policy was the butterfat support policy, which had essentially become "too successful". Surplus butter stocks were becoming unmanageable, with purchase and storage costs almost reaching \$70 million every year.

11. The Milk Industry Act and the Milk Industry Board: It was becoming increasingly obvious to producers and processors that the regulations within The Milk Industry Act (R.S.O. 1960, c. 239) were unable to adjust to the competitive pressures occurring in the industry. For example, the existing legislation did not give fluid milk producers any control over price negotiations involving their surplus milk which was used for manufacturing purposes. The legislation was also hindering consolidation in the processing sector. The Milk Industry Board was perceived to be ineffective or biased (towards milk producers) in their mediation of the deteriorating price negotiation relationship between producers and processors.

12. Unused capacity: Every segment of the dairy industry was under utilized. The greatest volume of unused capacity appeared to be in the relatively few large dairy establishments.

13. Limited export opportunities: The only consistently successful export milk product was Canadian cheddar cheese, for the U.K. market. With a general surplus of milk products in most dairy producing countries during the early 1960s, there were limited export opportunities for Canadian manufactured milk products. Limited export opportunities for butter and milk powder were creating mounting surpluses, which had to be disposed of or stored by the Federal government. Consequently, there was increasing recognition to have a greater reliance upon the domestic market.

Despite the comprehensive and chronic nature of these problems, the various milk producer organizations were unable to agree upon a unified marketing plan, even though there had been at least 4 concerted attempts to do so during the decade preceding the Inquiry (Hennessey et al., 1965). The Ontario Milk Producers' Co-ordinating Board was created in 1954, and devised a plan that was agreed to in principle a year later, but administrative difficulties forced the plan to be abandoned even before it was introduced. In 1958, the Co-ordinating Board appointed a Milk Marketing Committee, representing all four producer groups, to undertake an extensive investigation of marketing plans in other jurisdictions (Canadian provinces, U.S. states, and European countries). By March, 1960, a comprehensive proposal for a plan was presented by the Committee for approval by each of the four producer groups. Three of the four producer groups accepted the recommendations, but the plan was not implemented as the executive of the OWMPL voted against its adoption.

The most substantive of these early attempts at a unified plan was undertaken in 1960, when a research team of agricultural-economists was commissioned by the Committee to undertake a detailed investigation of the marketing and price structure in the milk industry, with the intention of introducing a proposal for the equalization of returns to

all milk producers. The report (Carncross, MacFarlane and Wood; 1961) proposed a number of recommendations that were unacceptable to fluid producers, and was rejected by the OWMPL (Hennessey et al., 1965; Clarke and Brethour, 1966). A fundamental recognition of the report concerned resolving the dilemma facing the dairy industry; that is, the need for more efficient and larger scale production, while limiting over production. To address this dilemma, the principle recommendation of the report, which was rejected by the League, was a proposal for fluid milk quotas to be frozen at historical levels, with increases in dairy requirements drawn from non-quota shippers who met the higher health and quality standards of fluid producers. While this may suggest that fluid producers, who were unwilling to accept any proposal that would result in a loss of income, were the primary causes of failure, manufactured milk producers had to share the responsibility. According to the Ontario Milk Producer, the official journal of the OWMPL, the concentrated milk producers were divided between a radical group who wanted immediate access to the fluid market, and a moderate group who were willing to permit an orderly transition from the present structure (Ontario Milk Producer, October, 1962).

With the failure of the Carncross Report, the four producer organizations divided into two groups, with the three manufacturing-milk organizations forming one group in search of a separate marketing plan, and the OWMPL determined to secure the full status of a marketing board for fluid producers. The Ontario Minister of Agriculture responded to these actions by announcing that the government would not permit the organization of two marketing boards that would separate the manufacturing and fluid milk segments of the industry. A new proposal was subsequently put forth in October, 1961, but again could not be agreed upon by the four producer organizations. The provincial government then appointed a Provisional Milk Marketing Board, in May, 1962, which included representatives from each of the four producer groups and a spokesperson from the Channel Island Breeds Association. A few months after the Board's appointment, a plan that was put forth by the executive was rejected by the board of directors. Dejected by yet

another failed attempt to establish a unified marketing plan, the chairman of the Provisional Milk Marketing Board, Emerson Farnsworth, notified the Ontario Minister of Agriculture of his resignation, and the Board was dissolved on November 5th, 1962.

The frustrations of producer groups and government representatives were clearly evident at the dissolution of the Provisional Board. Responding to the situation, the Ontario Minister of Agriculture, Wm. A. Stewart, stated:

I don't believe that in my experience as a farmer, or one associated with government, I have ever witnessed a situation so mixed with conflicting opinions, divergent efforts, and misleading and misunderstood information. I have no hesitancy in suggesting that possibly this bubbling dairy pot is being stirred with the spoon of disunity and discontent by some people who may have interests at heart other than those of the well-being of the dairy industry (Clarke and Brethour, 1966; p. 139).

Concern towards the industry was also shared by Stewart's Federal counterpart, who was threatening producers to either voluntarily restrict production or face reductions in support prices (Ontario Milk Producer, October, 1962). The response by the processing sector, however, appeared to be mixed. On the one hand, the major processor organization, the Ontario Milk Distributors' Association (OMDA) was not supportive of the Provisional Board since this producer organization completely ignored dairy processors in the policy-making process (Canadian Dairy and Ice Cream Journal, December, 1962). On the other hand, the OMDA recognized the need for a provincial, if not national, marketing plan, and welcomed the opportunity to work collectively (with producers, government officials and consumers) towards a plan. In this case, equal participation in the policy-making process was a necessary requirement for processor support of a marketing plan.

As the Board was being dissolved, the executive asked the Ontario Minister of Agriculture to approach his Federal counterpart and request a full-scale Royal Commission on all phases of the dairy industry in Canada (Ontario Milk Producer, November, 1962). The Ontario Minister of Agriculture partially complied with these demands, establishing a provincial Committee of Inquiry on the 30th of May, 1963.

5.3: The Inquiry into the Milk Industry in Ontario:

One of the limitations of the earlier attempts to develop a unified milk marketing board was that the realm of changes that could be undertaken by the efforts of the four producer groups was largely restricted to the production segment of the dairy industry. Many aspects of pricing, marketing, and distribution were regulated under The Milk Industry Act (R.S.O. 1960, c. 239), and lay outside of the jurisdiction of any producer initiative. To some degree, the complexity of the problems previously cited, indicate that a holistic approach was required to restore stability to the industry. The need to investigate a wide spectrum of problems plaguing the dairy industry was recognized in the terms of reference for the Inquiry.

The overall scope of the Inquiry was broadly defined, encompassing the complete spectrum of the production, marketing, processing and distribution activities of the industry. The terms of reference instructed the Committee to inquire into:

1. the existing marketing plans for milk, the legislation respecting the marketing of fluid milk under The Milk Industry Act (R.S.O. 1960, c. 239) and the various plans for unified marketing of milk which have been and are being considered;
2. the costs and methods of producing, transporting, processing and distributing milk and milk products;
3. the payment of milk based on quality and composition, and the pricing of milk according to utilization;
4. the methods of increasing the consumption of milk and milk products;
5. the marketing needs of milk based on domestic utilization and export possibilities;
6. the establishment and application of producer marketing quotas for milk;
7. the problems arising in interprovincial and export trade; and
8. the effect of national dairy policies on the milk industry in Ontario and the co-ordination of such policies with milk industry policies in Ontario (Hennessey et al., 1965).

Given the scope of the Inquiry, the question that remains unanswered concerns the identification of the philosophical direction that the Committee would take in their investigation. A review of the Committee members and the principles guiding their investigation, suggests that from the outset the Inquiry was established to follow a business oriented, economic-efficiency approach to ameliorate the dairy crisis.

The Ontario Minister of Agriculture was determined to establish an independent Inquiry that could transgress the internal divisions that had undermined previous attempts to create a unified marketing board, and select a committee whose members were well accustomed to accurately analyzing and assessing various types of business problems (Ontario Milk Producer, 1963; June). To meet this objective, the Committee was composed of 3 persons: the chairman, S. G. Hennessey, who was a well respected Professor of Commerce, at the University of Toronto, and two committee members: J. E. McArthur, an agricultural representative with the Royal Bank of Canada, and F. E. Wood, O.B.C., a retired chartered accountant, living in Toronto.

A business approach towards changing the structure of the milk industry was also apparent in the principles guiding the Committee, clearly illustrating the provincial government's commitment "to give the best economic climate possible for the growth and development of the industry in which all would prosper" (Canadian Dairy and Ice Cream Journal, 1963; October, p. 35). The 12 principles guiding the Committee included: (i) efficiency for the milk industry; (ii) a major reliance on the free forces of supply and demand to establish prices, allocate resources, and distribute income; (iii) collective action as a prerequisite to an appropriate balance of power within the industry; (iv) specialization and large-scale operations often result in efficient production, processing, and distribution; and (v) the inevitability and desirability of continuing, important, and rapid technological change (Hennessey et al., 1965; p. 4).

The structure of the Inquiry was to make the Committee as accessible as possible, in terms of the location and the informal atmosphere presented during the hearings. The

secretary of the Committee sent notices of the location and dates of hearings to newspapers and trade journals (e.g. The Ontario Milk Producer), and directly to producers through manufacturing or processing plants. Overall, the Committee was relatively successful in reaching as many members of the dairy industry as possible, as reflected in the location of the hearings and the number and diversity of persons participating in the Inquiry. For example, there were 39 days of actual hearings, which were held in 19 different cities across Ontario (see table 5.10 and figure 5.1). The Committee received 155 written briefs, while an estimated 500 persons verbally presented their views on the crisis. Furthermore, approximately 70 percent of the briefs were submitted by producers or from farm organizations, although representations generally came from all segments of the dairy industry, including those from the non-agricultural components, such as small local dairies, consumer groups, the major processing associations, experts from the government or academic community, and even organized labour (table 5.11). Of note, there were 27 individual farmers who submitted briefs to the Committee of Inquiry.

The briefs were also extremely variable in their length, structure, and treatment of the issues, which perhaps reflected the diversity of the milk industry, or simply illustrated the magnitude of the crisis. The shortest brief (O.M.I.I.C., 1963; Brief number 27), was submitted by an individual milk producer, whose argument consisted of one single sentence. In contrast, the longest and most comprehensive brief (O.M.I.I.C., 1963; Brief number 116) was submitted by the OMDA, and was 48 pages in length. On a regional basis, the busiest location was Toronto, where 33 percent of the briefs were presented. The other briefs were distributed amongst cities throughout western, eastern and northern Ontario, with 52, 34 and 21 submissions respectively.

Table 5.10: Location and dates of the Ontario Milk Industry Inquiry hearings¹

Toronto	June 19th ²	London	September 3rd
	June 20th ²	Hanover	September 4th
Kenora	July 15th	Orillia	September 5th
Fort William	July 16th	London	September 6th
Emo	July 18th	Ridgetown	September 9th
Sudbury	July 19th	Guelph	September 10th
Kirkland Lake	July 22nd	Vineland	September 11th
Toronto	July 29th	Guelph	September 12th
	July 30th		September 13th
	August 1st	Vineland	September 18th
	August 2nd	Timmins	November 1st
	August 6th	Ottawa	November 8th
	August 7th	London	November 15th
	August 8th	Toronto	November 21st
Renfrew	August 19th		November 22nd
Ottawa	August 20th		November 25th
Finch	August 21st		December 5th
Ottawa	August 23rd		December 6th
Brockville	August 26th		January 30th, 1964
Belleville	August 27th		January 31st, 1964
Lindsay	August 28th		

¹ All hearings were held in 1963, except for two held in Toronto. January, 1964

² Preliminary hearings

Source: Hennessey et al., 1965; Transcripts, Volumes 1 and 2, O.M.I.I.C., 1963

Figure 5.1: The location of the Ontario Milk Industry Inquiry hearings

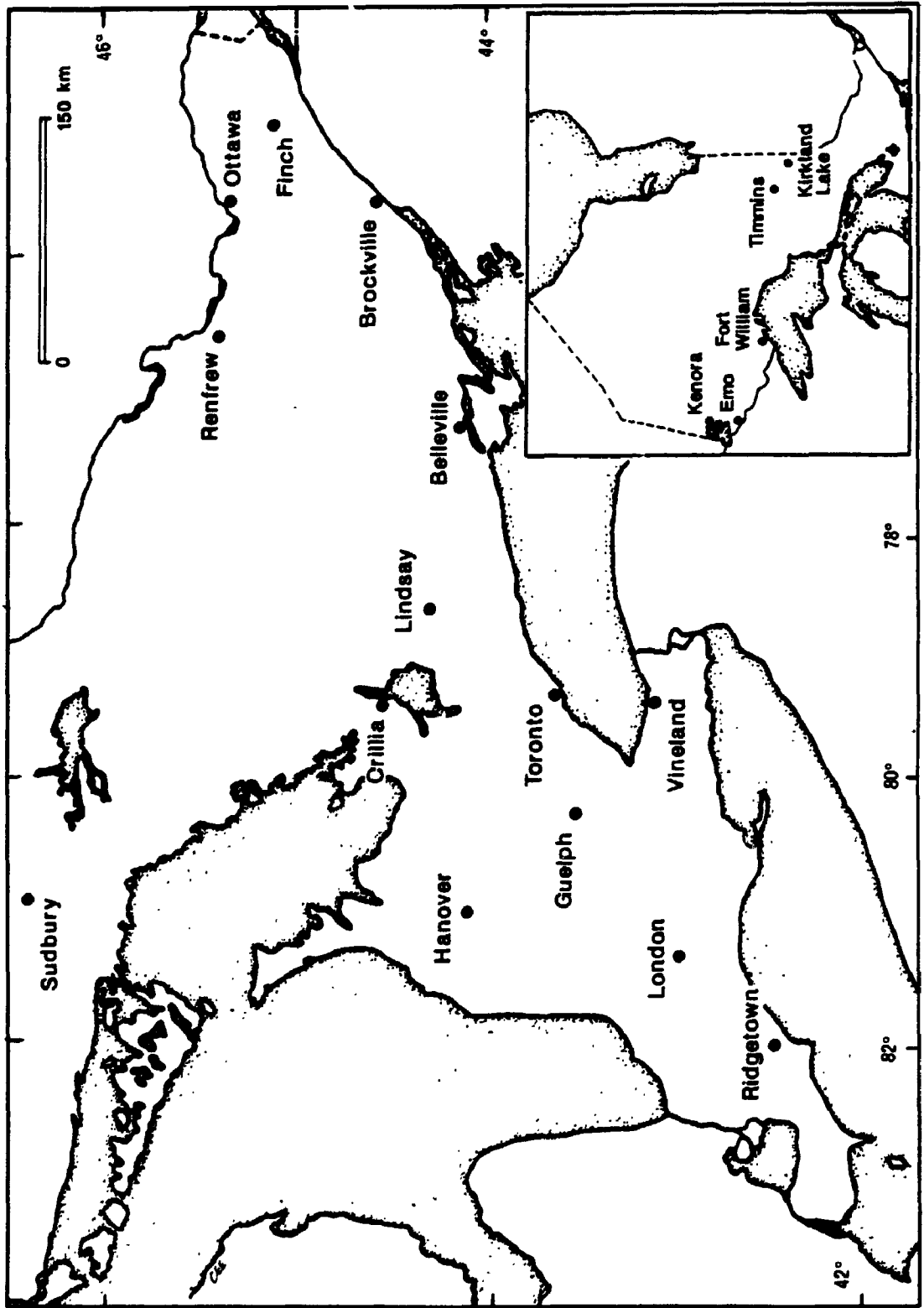


Table 5.11: Composition of participants submitting briefs,
by organizational type

Organizational type	Sub totals ¹
Producer	109
Ontario Whole Milk Producers League	(38)
Ontario Concentrated Milk Producers Marketing Board	(11)
Ontario Cheese Milk Producers' Marketing Board	(4)
Ontario Cream Producers Marketing Board	(4)
Producer Groups (Other)	(25)
Individual Farmers	(27)
Agribusiness	33
Fluid Processor/Distributor	(20)
Concentrated Milk Manufacturer/Creamery	(11)
Cheese Manufacturer	(2)
Government/Experts	4
Consumers/Other	6
Organized Labour	3
Total	155

¹ with the exception of individual farmers, the producer and agribusiness categories includes individual dairies and local divisions of the Associations, Marketing Boards, etc.

Source: compiled from all submitted briefs, O.M.I.C., 1963

Despite the appearance of an accessible Committee, a review of the background archived material suggests that the Inquiry was in fact partial towards the major elite organizations. Unrecorded in the Report, nor documented in the trade journals, the Committee conducted two pre-inquiry meetings in Toronto, on June 19th-20th, 1963. The stated purpose of the preliminary hearings, which are documented in two separate volumes of transcripts, was to allow the Committee to acquire an initial impression of the participants interests and to hear of their feelings concerning the responsibilities of the Committee. The Committee received presentations from only producer representatives on the first day, while devoting the second day of unofficial hearings to discussions with the major agribusiness groups. The producer groups who attended these meetings were the executives of the four major dairy producer groups and the Co-operative Union of Ontario, with the manufacturing, processing and transportation sectors represented by the Automotive Transport Association of Ontario, the Ontario Cheese Manufacturers' Association, the Ontario Concentrated Milk Manufacturers' Association, the Ontario Creamerymen's Association, and the Ontario Milk Distributors' Association (OMDA).

While it is perhaps not unusual for a preliminary meeting between the Committee members and the major organizations in an industry that has group representation as an institutionalized facet of its structure, what is disturbing concerned the secretive nature of the hearings. As the Chairman pointed out in his opening remarks, "...nothing said will ever be attributed to you" (O.M.I.I.C., 1963; Transcripts, Volume 1, p. 5). A review of these transcripts indicates that a number of 'controversial' issues were discussed, that were otherwise shielded from public scrutiny and opposing segments of the production process (the separation of producers and processors). Some of the issues discussed would reoccur during the formal hearings, such as the OMDA position on the removal of territorial

boundaries, but other issues were not repeated in the public forum.⁴ Without directly interviewing the members of the Committee, it is difficult to know for certain to what extent these preliminary hearings influenced their perceptions of the industry, the crisis, or more importantly towards the elite organizations.

5.4: A qualitative content analysis of the Inquiry into the Milk Industry in Ontario:

Following the qualitative and quantitative techniques outlined in Chapter 4, the discussion will now focus upon a content analysis of the 155 briefs submitted to the Ontario Milk Industry Inquiry Committee.⁵ All of the briefs were subjected to a qualitative content analysis, which are summarized in the accompanying tables and provided in their entirety in the Appendices (Appendix I). A quantitative content analysis was applied to a select sample of elite briefs, which were representative of the major producer, agribusiness, consumer and labour organizations. This portion of the analysis was supplemented by reviewing discussions between these groups and the Committee, as documented in over 5,000 pages of transcripts. The objective of both analyses is to uncover the diverse and potentially conflicting perceptions and positions of the various competing groups within the dairy industry, towards a series of specific thematic categories that illustrate a plethora of issues that defined the dairy crisis of the early 1960s.

Following the research by Garner and Richardson (1979) and Guither (1980), the various participants are organized into 5 specific groups (table 5.12), with the producer participants further organized according to their association with one of the 4 major dairy producer groups (as a local association or provincial body), affiliation with a non-dairy

⁴ An issue that remains virtually buried concerns a transaction that took place between a local cheese factory and Kraft Foods Inc., that involved \$150,000.00 of tainted cheese.

⁵ The Report makes reference to 149 submitted briefs, but a review of the submissions in the background papers indicated an additional 6 briefs, bringing the total to 155.

producer organization, or as an individual farmer. All agribusiness briefs are grouped together, combining submissions from individual dairies with the major associations representing the manufacturing and processing sectors of the industry. Other groups include government/academic presentations, submissions from individual consumers or Consumer Associations, and organized labour.⁶

Table 5.12: List of major groupings for participants

1. Producer totals
 - A. Ontario Whole Milk Producers League
 - B. Ontario Concentrated Milk Producers Marketing Board
 - C. Ontario Cheese Producers Marketing Board
 - D. Ontario Cream Producers Marketing Board
 - E. Non-dairy producer groups
 - G. Individual farmers
2. Agribusiness companies and associations
3. Government/Academic 'experts'
4. Consumer organizations and other groups
5. Organized labour

The actual content analysis is organized into 2 major sections. Unlike the beef livestock industry (chapter 6), there was an unmistakable crisis in the industry; consequently, documentation of the participants' recognition of the crisis was considered redundant, if not unnecessary. The first section, thereby bypassing the recognition of the crisis, examines 7 major thematic areas that characterized the participant's perceptions of the dairy crisis. In

⁶ It should be noted that there were 3 briefs submitted from the O.W.M.P.L. (O.M.I.I.C., 1963; Brief number 151) and from two academic 'experts', Dr. G. I. Trant (O.M.I.I.C., 1963; Brief number 147) and Dr. D. M. Irvine (O.M.I.I.C., 1963; Brief number 149), whose content was devoted entirely as a commentary on the comprehensive submission by the O.M.D.A. (O.M.I.I.C., 1963; Brief number 116). These 3 briefs dealt with the contents of the distributors brief on a paragraph by paragraph (or page by page) basis; consequently, they were excluded from the content analysis.

the second section, a classification of the major groups is presented, according to their proposed solutions and recommendations. Three distinct areas of proposals are presented, beyond a category for participants not proposing clear recommendations, which represent a progression of state intervention from free enterprise, to maintaining the status quo (retaining existing regulations), or increasing state intervention with a new institutional structure regulating the industry.

5.4.1 Analysis of the crisis:

The perceptions of the problems that were afflicting the dairy industry can be classified into 7 general categories⁷: (i) "the cost-price squeeze", referring to the shrinking gap between the rising costs of inputs and depressed commodity prices; (ii) "the production and marketing system", reflecting boundary problems within the industry; (iii) "the method of exchange", involving transactions between producers and agribusiness firms; (iv) "government policy", such as the Federal dairy policy and the existing provincial regulations; (v) "transportation" problems, in terms of efficiency and costs; (vi) "attitudes and values", which reflect the perceptions of the participants towards specific components of the dairy industry; and (vii) "technology and efficiency", which pertains to the need for, or trend towards, the adoption of new techniques and technology. Given the range of thematic topics addressed, and the variety in the length of the briefs, it is not surprising that most submissions were narrowly directed towards specific problems. Nonetheless, a vast majority of the participants were prepared to express an opinion towards some facet of the industry; e.g. the importance of local employment or the role of the family farm, or towards a specific producer association or segment of the production process (e.g. processor-distributors). The most frequently cited problems involved some element of the "cost-price squeeze", or reflected disenchantment over the existing "production and marketing system"

⁷ Each category will hereupon be identified by "quotations".

(approx. 60 percent of all briefs). The other thematic areas were cited less frequently, with the issues surrounding technology and efficiency being addressed in less than 15 percent of the briefs.

5.4.2 The cost-price squeeze:

The "cost-price squeeze" was the most frequently cited crisis issue, with both producer and agribusiness firms referring to the problem in almost 65 percent of their respective briefs (table 5.13). There were 5 sub-categories to the issue, dealing specifically with the problem of low prices for milk or cream, rising input costs, low profits, retail prices, and price differentials. The principle issues focused upon were chronic low prices and the widening price differential between fluid and manufacturing milk, that together simply reflected the ongoing problem of surplus milk exerting downward pressure on producer returns. At the other extreme, the retail price of milk was virtually ignored by most of the participants, including consumers, as less than 7 percent of the briefs commented about this issue. Those commenting, primarily labour and small dairies, were more concerned about the rising gap in the retail price of home delivered milk versus the 'jug milk' variety sold at specialty stores or supermarket chains. In general, the retail price of home delivered milk was considered to be fair by everyone in the industry.

Table 5.13: The cost-price squeeze

Category/Groups	1	A	B	C	D	E	F	2	3	4	5	TOTALS
1. COST-PRICE SQUEEZE	70	26	8	4	1	15	16	21	1	1	2	95
A. Price	44	14	6	4	0	11	9	11	0	0	0	55
B. Inputs and other costs	35	18	4	3	0	5	5	9	0	0	0	44
C. Low profits/constrained capital	6	4	0	0	0	1	1	7	0	0	0	13
D. Retail Market	1	0	0	0	0	0	1	7	0	1	2	11
E. (Unfair) Price Differentials	50	20	7	2	1	11	9	11	1	0	0	62

On a superficial level there seemed to be a united front on this issue between the different types of producers and agribusiness firms. Upon closer examination, however, producers may have shared the desire to raise the price of manufacturing milk, but they held this view for their own self interests. Fluid shippers tended to produce amounts of milk that were in excess of their quota requirements, which was eventually finding its way into the lower priced manufacturing market. Consequently, fluid producers were interested in extending the jurisdiction of the OWMPL over the price of manufacturing milk, with the intention of raising its lower price to ensure higher returns. Farmers who produced only for the manufacturing milk market were also in favour of raising the price of their milk, but in this case focused upon the depressing effects of fluid surplus, and other related concerns such as the 'closed shop' status of the fluid market and the similar standards of milk quality.

Dairies were also concerned about low manufacturing prices, but for reasons quite different than those presented by the producers. Distributors found it difficult to understand why milk of equal quality could be purchased for an amount far below the fluid price. Furthermore, they were concerned about losing their market share to lower priced competitive products, such as multi-milk and whole milk powder, which could be purchased by manufacturing plants at the substantially lower price. It was in the distributor's interest, therefore, to see the price differential narrow:

It is difficult to understand why there is such a discrepancy in raw material prices between fluid milk and manufactured milk. The fluid milk distributor finds it difficult to compete with powders and concentrates because of his disadvantage in respect to the purchasing price for raw milk. Either the fluid processors are paying too much or the manufacturers are paying too little. This brief submits that this price inequity should be corrected (O.M.I.I.C., 1963; Brief number 65).

This left the problem of either raising the price of manufacturing milk, or lowering the price of fluid milk. From the agribusiness perspective, it was clear that most distributors preferred to see the price of fluid milk decline (e.g. see O.M.I.I.C., 1963; Brief number

91). This position placed distributors in direct conflict with producers, such as the St. Marys Concentrated Milk Producers' Association, who argued that the idea was not to bring the price of fluid milk down, but rather to bring the prices for manufacturing milk up more in line with fluid prices (O.M.I.I.C., 1963; Brief number 129).

Approximately one-third of all producer submissions made reference to the rising costs of inputs. In some regards, the limited response by producers towards input costs suggests that the "cost-price squeeze" problem was not induced by the rising costs of machinery and other capital investments. In consideration of the high frequency of references towards price and price differentials, it is likely that the cost-price squeeze was perhaps more of a conflict over price rather than rising costs of production. Low prices were often cited in these briefs as having the potential to inhibit greater capital investments.

5.4.3 The production and marketing system:

The "production and marketing system" was the second most frequently cited crisis issue, with 92 briefs making reference to 1 of 4 aspects of the problem (table 5.14). Of the 4 sub-categories to the issue, concerns about some aspect of the "provincial" system in marketing and production, was the focus of these submissions. Concerns over the "national market" and "international market" were expressed to a considerably lesser extent. In terms of production, the problem encompassed regional price variations between the marketing areas, competition over quotas (involving producer conflict within and between marketing regions), the breakdown of the regional price structure, and the problem of overproduction from other types of producers (e.g. surplus fluid milk undermining the production of manufacturing milk). Collectively, all of these problems involved a reduction in producer incomes, and inevitably created conflict between farmers.

Table 5.14: The production and marketing system

Category/Groups	1	A	B	C	D	E	F	2	3	4	5	TOTALS
2. PRODUCTION AND MARKETING SYSTEM	66	32	7	3	3	12	9	22	1	3	0	92
A. Provincial (Production)	48	23	6	3	0	8	8	7	0	1	0	56
B. Provincial (Marketing)	31	24	1	0	3	2	1	16	1	2	0	50
C. National Market	6	6	0	0	0	0	0	6	0	0	0	12
D. International Market	9	2	0	1	1	5	0	5	1	1	0	16

Two examples are worth noting, simply for clarification. Under the quota system, producers were tied to specific dairies, and the differential pattern in the expansion of sales was having a negative impact on some producers and a positive impact on others. In a related issue, in some markets there were producers of high-test milk (Channel Island Breeds) who were perceived to be increasing their quotas at the expense of other producers (typically Holstein shippers). In both of these cases, the apparent rise and fall of certain producers seemed to be a function of chance, almost completely arbitrary or random, and unrelated to the economic performance of the farm operation.

Problems in provincial marketing primarily involved the processing and manufacturing stage of the production process, but in most cases also impacted upon producers. This involved competition from lower priced dairy alternatives to fluid milk, the growth in milk stores specializing in 3-quart jugs, the shift from cream separated on the farm to plant separated cream, and competition from lower priced milk originating from neighbouring provinces. Since these issues typically involved a reduction in distributor sales, they often had a negative impact on producer incomes. The 'biggest threat' to producers and distributors in northern Ontario was perceived to be the invasion of 'multi-milk' (a liquid concentrated milk product that was classified as a manufactured milk product), which was manufactured in Oxford county (see O.M.I.C., 1963; Briefs number 4 and 108). The importation of this cheaper alternative to fluid milk was sold through supermarkets and was having a double impact on local distributors: (i) reducing

sales of fluid milk; and (ii) forcing distributors to produce a reconstituted milk product as a cheap competitor to multi-milk. Although the multi-milk problem was primarily a "northern" Ontario issue, the product was making inroads in other parts of the province and the OWMPL had been actively petitioning (with no success) the Milk Industry Board for the product to be reclassified at a higher price.

The issue of competition between regions was even more evident in the 'boundary' regions of Ontario, i.e. the Ottawa Valley region and northern Ontario, which is classified as a problem with the "national market" (see table 5.14). In both of these regions, there were problems associated with the spillover of milk from other provinces, either from Québec or Manitoba. This involved the actual movement of milk from one province to another, such as Ottawa supermarkets retailing milk processed in Hull, or simply the threat of accessing Manitoba milk, unless producers accepted lower prices (O.M.I.I.C., 1963; Briefs number 3 and 102). In both of these cases, processors could conceivably use access to cheaper supplies of milk in the negotiation process.

An additional national market issue referred to by a small number of briefs included the erosion of market share to other provinces, particularly in terms of manufacturing milk products (e.g. condensed milk). Issues pertaining to the international market involved problems associated with exports, rather than competition from cheaper imports. Specific reference was made to the declining cheddar cheese exports to the United Kingdom, and to the limited export opportunities for Canada's mounting stocks of surplus butterfat and skim milk powder.

5.4.4 The method of exchange:

References to the "method of exchange" were mentioned in 65 of the briefs, dealing specifically with quota abuses, distrust over the grading and testing of butterfat content, and perceptions of an otherwise harmonious relationship between producers and

processors (see table 5.15). Despite the relatively frequent mention of the exchange system, one would expect that a negative perception of the producer-processor relationship would be more common than what was expressed in the briefs. In this case, only 42 percent of the submissions from the OWMPL local associations (16 of 38 briefs) expressed negative comments about quota negotiations with processors, and even fewer (24 percent) commented about inconsistencies in the grading and testing procedure. The secondary literature suggested that quota violations between producers and processors was a fundamental reason for countervailing action. From the producer's perspective this could involve perceptions that processors were unfair bargainers in the price negotiation process, or that truckers were engaged in unscrupulous activity. In an open letter addressed to the Committee of Inquiry, for example, producers suggested that attention be given to a variety of issues, including "trafficking" in transportation, questionable handling charges, and kickbacks (Ontario Milk Producer, 1963; June).

Table 5.15: The method of exchange

Category/Groups	1	A	B	C	D	E	F	2	3	4	5	TOTALS
3. METHOD OF EXCHANGE	51	22	4	2	2	9	12	14	1	0	0	66
A. Quota Abuses	35	16	3	1	1	7	7	5	1	0	0	41
B. Grading/Butterfat Content	19	9	1	1	0	3	5	4	1	0	0	24
C. Harmonious Relationship	8	5	0	0	2	0	1	6	0	0	0	14

Potentially a prime area of conflict between producers and processors, "quota abuses" did not appear to be a dominant issue in the crisis, nor was there substantial evidence of such abuses submitted to the Inquiry. In most cases, opinions were expressed, but with limited evidence. The lack of evidence, according to the OWMPL, could be explained by producer fear against processor retaliation. A more likely explanation is that producers were more concerned about quota abuses involving processor preference for high-test shippers. In this case, the production problem associated with declining quotas,

was linked to high-test shippers increasing their production at the expense of Holstein producers. Perceptions of quota abuses were not as a result of unfair bargaining, but rather preferential treatment to a minority of producers. This problem was also connected with the Federal price support policy, whereby processors could sell butterfat at significant profit. This redirection of concern away from the processing sector is also reflected in the number of references by producers towards questionable testing and grading practices, which was the responsibility of distributors.

5.4.5 Government policy:

Government policy played an integral part in the participants perceptions of the dairy crisis, for both producers and agribusiness firms. Cited by 74 of the briefs, almost 50 percent of the submissions from producers and agribusiness firms made reference to 1 of 5 sub-categories pertaining to government policy (table 5.16). The Federal dairy policy (involving price supports for butterfat and cheese exports), the butterfat differential (differentiating between standard and high-test milk), the regulations or authority of the Milk Industry Act (R.S.O. 1960, c.239) and the Milk Industry Board, formula pricing (relating to costs of production), and the legalization of margarine, were all issues reflecting government policy. Clearly the most frequently cited policy issues involved, almost exclusively, the national dairy support policies, the inability of the current provincial legislation under the Milk Industry Act (R.S.O. 1960, c. 239) to adequately regulate the industry, and the failure of the Milk Industry Board to administer decisions in a decisive and unbiased manner. In contrast, expected concerns directed towards the butterfat differential or formula pricing never materialized, as these issues were virtually ignored by the participants submitting briefs.

Table 5.16: Government policy

Category/Groups	1	A	B	C	D	E	F	2	3	4	5	TOTALS
4. GOVERNMENT POLICY	54	22	7	4	3	10	8	16	1	1	2	74
A. National Dairy Policy	36	11	5	4	3	7	6	9	1	1	0	47
B. Butterfat differential	6	2	2	0	0	2	0	1	0	0	0	7
C. Ontario Milk Industry Act/Board	25	15	1	1	1	4	3	11	0	0	2	38
D. Formula Pricing	2	0	0	0	0	1	1	1	0	0	0	3
E. Margarine	3	1	0	0	1	0	1	0	1	0	0	4

Although producers were seeking from the Federal government a long term approach to planning, they were generally supportive of the national dairy policies. The support price for butterfat, the recently introduced subsidy to manufactured milk producers, and the export subsidy for cheddar cheese, were all policies that most producers wanted the Federal government to maintain. There were, however, some concerns directed at these policies. For example, fluid milk producers demanded changes in the manufactured milk subsidy, since surplus milk in excess of fluid quotas that was used for manufacturing purposes was not eligible for support. Manufacturing milk producers informed the Committee that their Federal subsidy was being skimmed by the dairy processors, who purportedly lowered the price paid to farmers by an equivalent amount (e.g. see O.M.I.C., 1963; Briefs number 97 and 129). Processors seemed more concerned with the Federal subsidies, in terms of contributing to the rising butter stocks. In this case, the view was directed towards removing subsidies, rather than maintaining them.

There was considerable agreement between producers and agribusiness firms towards the Milk Industry Act (R.S.O. 1960. c. 239) and the Milk Industry Board. Related to the price differential between fluid and manufacturing milk, fluid milk producers were concerned that under the existing Act, the OWMPL did not have any jurisdiction outside of the fluid market. In contrast, the processors and distributors were clearly against the Milk Industry Board, who were perceived to be biased in their arbitration of disputes over

market prices. In this case, agribusiness interests were demanding the replacement of the Board, while producers were more interested in altering the Act itself.

5.4.6 Transportation:

"Transportation" difficulties were the second least cited aspect of the dairy crisis, with less than 20 percent of the briefs making reference to this problem (table 5.17). While the perceived transportation problems involving difficulties with bulk haulage, rising costs, and the duplication of home delivery routes, were virtually ignored, the overwhelming issue concerned the inefficiencies that were associated with milk collection. In this case both producers of fluid and manufacturing milk were concerned about overlapping collection routes, and how farmers were paying for these inefficiencies. This concern reflected how trucks were contracted with individual distributors, and how the different quality standards of milk required separate collection between fluid and manufacturing milk. Consequently, there was considerable opportunity for duplication of collection, which did not go unnoticed by producers.

Table 5.17: Transportation

Category/Groups	1	A	B	C	D	E	F	2	3	4	5	TOTALS
5. TRANSPORTATION	25	10	6	0	0	6	3	3	0	0	2	30
A. Bulk haulage	4	2	2	0	0	0	0	0	0	0	0	4
B. Increasing Costs	3	1	0	0	0	1	1	1	0	0	0	4
C. Duplication of collection	20	6	6	0	0	5	3	1	0	0	1	22
D. Duplication of home delivery	1	1	0	0	0	0	0	1	0	0	1	3

5.4.7 Attitudes and values:

While most thematic areas could be clearly classified as issues pertaining directly to the dairy crisis, this section attempts to document the attitudes and the values that were

expressed by the participants, in terms of perceptions that were tangential to their central concerns.⁸ Most of the participants submitting briefs to the Committee were likely to express an opinion towards a variety of issues pertaining to their own personal philosophy, or reflecting their own fears and anxieties towards the changes occurring in the industry. Almost 80 percent of the briefs commented upon (i) their personal philosophy towards the family farm, quotas or individual rights; (ii) the concentrations in ownership within the production or processing sector, including vertical integration; (iii) the need for countervailing power; (iv) the support or rejection of pooling; (v) a specific organization or component along the 'food chain'; (vi) the trends occurring in the industry, such as the declining importance of home delivery; (vii) health related problems, such as the use of milk for testing radiation fallout; and (viii) the role of advertising in the promotion of milk (table 5.18).

In terms of personal philosophy, there were three issues that were presented, specifically the importance of either territorial boundaries, the quota system or the family farm. Two of these issues reflected the fears and anxiety of small scale producers and distributors towards change. The preservation of territorial boundaries, for example, was expressed in terms of the importance of local employment. Small distributors within a regional market peripheral to the Toronto milk shed, such as eastern Ontario (Belleville and Kingston), were convinced that the removal of territorial boundaries would result in the demise of the local dairy (see O.M.I.I.C., 1963; Brief number 81). Similarly, concerns that the family farm would be threatened under institutional change were presented by small scale producers, particularly from mixed-farm operations who sold farm-separated cream to local creameries, and utilized the skim milk as feed on the farm (see O.M.I.I.C., 1963; Brief number 82). In this respect, small scale producers and local distributors were in

⁸ In this case, the references catalogued in this section had to be made in the body of the text that was exclusive of any clearly articulated solutions and recommendations.

favour of maintaining the status quo, or at least a system that sustained a traditional 'way of life'.

Table 5.18: Attitudes and values

Category/Groups	1	A	B	C	D	E	F	2	3	4	5	TOTALS
G. ATTITUDES AND VALUES	68	33	9	2	4	22	18	24	2	5	3	122
A. Personal Philosophy	23	9	4	0	2	5	3	11	0	3	1	38
B. Concentration of Ownership	6	3	0	1	1	1	0	4	0	0	1	11
C. Countervailing Power	6	3	1	0	0	2	0	5	0	0	0	11
D. Pooling	13	4	3	1	1	3	1	3	0	0	0	16
E. Organizations:	74	30	6	1	2	20	15	12	1	1	3	91
i. OVMPL	13	3	0	1	0	6	3	4	1	0	0	18
ii. OCMPMB	10	1	2	1	0	3	3	1	1	0	0	12
iii. O.C.P.M.D. (Cheese)	8	1	0	0	0	5	2	1	1	0	0	10
iv. O.C.P.M.D. (Cream)	6	2	0	0	0	3	1	0	1	0	0	7
v. Holstein/Chappel Island Breeds	9	3	1	0	1	5	1	0	1	0	0	12
vi. Producer-Distributors	7	3	1	0	1	0	2	0	0	0	0	7
vii. Processors/manufacturers	57	27	6	1	1	13	9	2	1	0	1	61
viii. Jug Milk Stores/Chains	1	0	0	0	0	0	1	4	0	1	2	8
ix. Consumers	8	3	3	0	0	2	0	3	0	1	1	13
x. Media	3	1	0	0	0	0	2	0	0	0	0	3
xi. Co-ops	9	1	1	1	1	4	1	2	0	0	1	12
F. Trends	2	1	0	0	0	1	0	7	1	2	2	14
G. Health	4	1	0	0	1	2	0	0	1	2	0	7
H. Advertising	16	11	0	0	0	5	0	2	0	0	0	18

The issue of quotas was a much more divisive issue amongst producers, and divided not only fluid producers from their manufacturing counterparts, but also standard and high-test shippers. In response to these conflicts, which have been previously discussed, producers were trying to protect their self interests by espousing the benefits of the quota system. The Toronto Milk Producers' Association deflected criticism of the quota system to weak governmental controls (O.M.I.L.C., 1963; Briefs number 60 and 161), while the Essex Milk Producers' Association emphasized that the preservation of the quota system was imperative, "to protect the producer investment in the industry" (O.M.I.L.C., 1963; Brief number 54, p. 5). While most fluid producers were prepared to 'share' their

market with qualified manufacturing milk producers, farmers milking cows of the Channel Island Breeds variety (such as the Guernsey Cattle Breeders' Association of Ontario) were less willing to relinquish their privileged position vis-a-vis quotas (see O.M.I.I.C., 1963; Brief number 66).

An overwhelming number of participants (91 briefs) made reference in their written submissions to an "organization" or component of the 'food chain'. Most of the producer submissions either directly or indirectly presented an 'image' of the "processors" or processing sector. With more than 50 percent of the producer briefs commenting upon processors, it is apparent that the producer-processor relationship was foremost in the minds of farmers. A small, but vocal contingent of producers were also expressing their opinions towards specific producer organizations. This usually reflected conflict between the Channel Island Breed associations and the OWMPL, since the latter organization purportedly placed the interests of standard shippers above producers of high-test milk. Conflict between these two groups was also manifested in the issue of advertising, whereby the high-test shippers were applauding for their efforts to promote and market 2% milk, without the support of standard shippers.

At the other end of the frequency spectrum, it is important to note the issues that received little attention from the participants. Few producers, for example, discussed the need for countervailing power, nor were they concerned with concentration of ownership within the agribusiness sector; in fact, less than 6 percent of the producer briefs commented upon one of these issues. The virtual absence of these themes amongst the producers' perceptions of the dairy crisis, suggests that the prevailing interpretation of the producer's need to countervail the marketing power of an agribusiness sector that was becoming increasingly concentrated, did not apply to the policy-making process in Ontario's dairy industry at that time.

5.4.8 Technology and efficiency:

The least cited issue in the crisis involved perceptions by the participants towards the rationalization process that was occurring throughout the dairy industry (table 5.19). Although the adoption of new technology and a movement towards greater economic efficiency was beginning to revolutionize the production and processing sectors of the dairy industry, less than 15 percent of the briefs made reference to the rationalization process. The participants either recognized the need for the industry to rationalize, or articulated an awareness that a rationalization process was well underway. There were 6 agribusiness briefs that were offering encouragement for the rationalization process to continue, while an equal number of producer participants shared in this view. It should be noted, however, that on a percentage basis the issue was cited more often from the agribusiness sector. Furthermore, although only one brief submitted by an academic "expert" addressed the rationalization issue, a review of the transcripts indicates that there were 3 agricultural economists who identified a clear trend towards industrialization in agriculture. Although there were some minor differences in their views, the 3 "experts" were generally in favour of improving economic efficiency on the farm level and encouraging greater rationalization of the production sector.

Table 5.19: Technology and efficiency

Category/Groups	1	A	B	C	D	E	F	2	3	4	5	TOTALS
7. TECHNOLOGY AND EFFICIENCY	12	4	1	1	0	4	2	8	1	0	2	23
A. Need to rationalize	6	1	0	0	0	3	2	6	1	0	1	14
B. Rationalization well underway	7	4	1	1	0	1	0	4	0	0	1	12

Despite the relatively low importance of the rationalization process amongst the perceptions of the crisis, the rationalization issue is significant to the discussion in terms of the large numbers of participants who ignored the issue, and the more important question

of identifying which specific participants were advocates of greater rationalization. It is possible, for example, that many producers were not conscious of the fact that the need for rationalization was the underlying problem afflicting the industry. In this case it is important to note that 3 of the 6 producer briefs recognizing the need to rationalize were non-dairy farm organizations, including the Ontario Federation of Agriculture. This suggests, perhaps, that a majority of the dairy farmers were more concerned with issues that were more tangible to their day to day lives, such as interaction with transporters or processors, rather than being aware of the broader forces impacting upon the industry. It was this latter issue that was at the core of the most controversial brief submitted during the Inquiry, a comprehensive interpretation of the industry's problems presented by the OMDA. While the contents of this brief will be discussed in more detail in the following elite analysis, at this stage of the discussion it is important to point out that a significant portion of the brief was published in the Ontario Milk Producer, which prompted an outcry from dairy producers. The key arguments in the brief were so controversial, that both the OWMPL and Dr. Trant, an agricultural-economist from the Ontario Agricultural College, were compelled to submit their own briefs which provided detailed comments on the OMDA submission.

5.4.9 Solutions and recommendations:

The classification of the proposed solutions and recommendations to resolve the dairy crisis was a complex process, given the number of responses and the diversity of their content. Of the 155 written briefs that were submitted to the Committee of Inquiry, 80 percent of the participants clearly presented one or more recommendations to ameliorate the crisis (table 5.20). The content of the recommendations could be classified into 4 general areas, which basically reflect increasing degrees of state intervention: (i) briefs which did not present any clear recommendations; (ii) briefs that were advocating a return to free

enterprise; (iii) briefs that recommended the maintenance of the status quo; and (iv) briefs that were demanding an increase in state intervention. Most of the briefs took a consistent position towards a specific level of state intervention, although in some cases participants presented proposals that overlapped maintaining the status quo and demanding increased state intervention. A common position in this case was for a producer group to demand further state intervention, while also calling for the maintenance of high quality standards or the introduction of centralized testing for milk. It should be noted, however, that there were also 10 briefs that presented the somewhat contradictory combination of recommendations of freer enterprise within a legislative framework that required further state intervention.

Table 5.20: Solutions and recommendations

Category/Groups	1	A	B	C	D	E	F	2	3	4	5	TOTALS
1. NO CLEAR RECOMMENDATIONS	18	4	1	0	1	3	9	7	2	4	0	31
2. FREE ENTERPRISE	10	0	1	1	0	2	6	7	1	0	0	18
A. No Regulations	2	0	1	0	0	0	1	1	0	0	0	3
B. Less Regulations	5	0	0	0	0	1	4	4	0	0	0	9
C. Eliminate Quotas	1	0	0	1	0	0	0	1	0	0	0	2
D. Greater economic efficiency	3	0	0	0	0	1	2	4	1	0	0	8
3. STATUS QUO (STATE INTERVENTION)	67	27	8	2	2	16	12	16	0	2	2	87
A. Marketing/Territorial Boundaries	7	6	0	0	0	0	1	8	0	0	0	15
B. High Quality/Central Testing	50	20	8	2	1	12	7	5	0	2	0	57
C. Increased Production/Marketing	26	12	0	1	1	8	4	3	0	1	2	32
4. INCREASED STATE INTERVENTION	70	29	9	3	3	18	8	19	1	1	3	94
A. Two Ontario Markets	10	10	0	0	0	0	0	2	0	0	0	12
B. Price Formula/Classification	33	15	6	1	0	9	2	8	0	0	2	43
C. Pooling of Returns/Direction	30	9	4	1	1	9	6	2	1	0	1	34
D. One Marketing Agency/Plan	51	19	6	2	3	16	5	3	1	0	0	55
E. Transition period necessary	4	1	1	0	0	1	1	0	1	0	1	6
F. National co-ordination	19	12	0	1	0	5	1	5	1	0	0	25
G. Equal representation	6	1	1	0	0	1	3	7	0	1	0	14

There were 31 submissions that failed to propose any clear recommendations.

While this may illustrate apathy within the industry, this value also reflects the concise and

variable nature of the briefs presented by individual producers. One third of the individual producers submitting briefs failed to recommend any solutions to the dairy crisis. In terms of a movement to free enterprise, less than 12 percent of the briefs were advocating a return to the free market system; in fact, only 6 of these briefs were proposing a package of recommendations that was exclusively free enterprise. If these briefs are combined, they represent less than 25 percent of the submissions to the Inquiry; consequently, more than 75 percent of the participants were presenting proposals that involved in some way either the maintenance of the status quo or increased state intervention. Furthermore, only 10 of the agribusiness briefs failed to recommend some level of state intervention, compared to 23 which were prepared to accept existing or further government control of the industry.

These results, however, do not illustrate a clear alliance between producer and agribusiness interests. Half of the agribusiness companies interested in maintaining the status quo, were demanding the preservation of territorial boundaries, while 5 submissions articulated the need for either the maintenance of high quality standards or centralized testing of milk, and 3 briefs supported the need to increase the marketing and promotion of dairy products. The lack of complete co-operation was clearly evident in the briefs submitted by the 19 agribusiness firms demanding further state intervention. There were 8 briefs that welcomed changes in the method to establish the formula price, or in the pricing structure of fluid and manufactured milk. These recommendations reflect the growing concern amongst agribusiness interests towards the Milk Industry Board, and continued efforts to reduce the price of fluid milk. In both cases, under the existing legislation, the removal of the Milk Industry Board would in fact have required further state intervention.

From the producer's perspective, the most significant aspect of the proposals involved a unified position between the 4 producer groups; particularly between fluid and manufacturing milk producers. The OCMFMB and the OWMPL submitted separate briefs, but each brief included an identical 2-phase marketing plan that was approved by the executives of both producer groups. With their unified 2-phase proposal, the two producer

groups succeeded where previous executives had failed. Furthermore, there seemed to be considerable support for the plan from both the cream and cheese milk segments of the industry. This general agreement towards one marketing agency was welcomed by the Committee, who were now convinced that all producers were prepared to accept a comprehensive marketing plan (see Hennessey et al., 1965; pp. 55-60). While the intent of the Committee's comment was directed towards the 4 major milk producer groups, there was considerable support for the single marketing board concept amongst other producers. Almost 50 percent of all producer briefs supported the concept of a single marketing board. The possibility of a new marketing board was also welcomed by some agribusiness interests, who were disenchanted with the existing rigid regulations and the performance of the Milk Industry Board. Their acceptance of a producer marketing board is also illustrated in the few demands for equal representation on a new marketing board.

5.5 Analysis of the crisis (a quantitative content analysis):

Following the technique described in the previous chapter, the discussion now presents a more detailed investigation of the dairy crisis, through the application of a quantitative content analysis of a select group of elite participants. A total of 13 elite briefs were selected for further analysis, specifically presentations from each of the 4 major dairy producer groups, the 2 opposing breed associations, the largest non-dairy producer association in Ontario (the Ontario Federation of Agriculture), the major manufacturers and distributors associations, organized labour and the Consumer's Association of Canada (see table 5.21). These briefs were selected on the basis of the important status that each of the respective organizations held in the industry, either through legislation (i.e. the OWMPL) or informal arrangements (i.e. the OMDA). Collectively, these elite briefs represented the views of the major participants to the Inquiry. For pragmatic purposes, they were also well

structured in terms of grammar, and were consequently well suited for a quantitative content analysis.

Table 5.21: List of elite participants and brief number

Ontario Concentrated Milk Producers' Marketing Board (Brief number 9)
 Ontario Whole Milk Producers' League (Brief number 11)
 Ontario Cheese Producers' Marketing Board (Brief number 49)
 Ontario Cream Producers' Marketing Board (Brief number 12)
 Ontario Cream Producers' Marketing Board (Brief number 152)
 The Holstein-Friesian Association of Canada (Brief number 13)
 Channel Island Breeds Milk Producers' Association (Brief number 19)
 Ontario Federation of Agriculture (Brief number 71)
 Ontario Concentrated Milk Manufacturer's Association (Brief number 15)
 Ontario Concentrated Milk Manufacturer's Association (Brief number 101)
 Ontario Milk Distributors' Association (Brief number 116)
 Milk and Bread Drivers, Dairy Employees, Caterers and Allied Employees, Local 647 (Brief number 140)
 Consumer's Association of Canada (Brief number 104)

If one was to summarize, however, the general scope and direction of each brief, some interesting patterns emerge; specifically, the tendency for the producer submissions to be narrowly directed towards their own needs, and for the agribusiness submissions to be more broadly defined. The submissions by the 6 dairy groups (the 4 dairy producer organizations and the 2 breed associations), for example, tended to focus upon concerns that were specific to their own segment of the production process. This might involve promoting the efforts of a particular marketing board, such as the Ontario Cheese Producers' Marketing Board, or simply promoting the merits of high-test milk, such as the Channel Island Breeds Milk Producers' Association (CIBMPA). The only exception amongst the producer briefs was the submission from the Ontario Federation of Agriculture, who addressed problems that were generally impacting upon all types of agricultural production.

Organized labour and consumer presentations tended to be preoccupied with the own particular problems. The submission by organized labour was partly a defensive response to an earlier brief submitted by the Toronto Milk Distributors' Association (O.M.I.I.C., 1963; Brief number 44), and focused upon the importance of home delivery. The Consumers' Association of Canada, who focused upon a variety of health related issues, were at least honest in admitting their limited comprehension towards the problems afflicting the industry:

Consumers... cannot be expected to have a complete appreciation of the problems surrounding the production, processing and merchandising of an industry such as the Dairy Industry. These phases are complex, and require specialized knowledge, training and experience, not possessed by the average consumer. We are not qualified or prepared to offer specific remedies for the problems with which the Industry is confronted (O.M.I.I.C., 1963; Brief number 104, p. 1).

In their defence, however, the selected brief from the national headquarters was more complex than the earlier submissions from their Ottawa and provincial branches, both of which focused on the somewhat trivial issue of unsanitary cardboard milk caps.

In contrast, the issues discussed in the agribusiness briefs dealt with a greater variety of issues, particularly in the comprehensive submission by the OMDA. This 48 page brief, which was written with the assistance of Dr. C. B. Haver, who was the Chair of the Department of Agricultural Economics, Macdonald College, McGill University, is notable for the extent of the issues presented and their comprehensive interpretation of the underlying problems afflicting the dairy industry. Although the brief did not address all of the areas defined in the terms of reference for the Committee of Inquiry, the issues covered were extensive, including: legislation and marketing plans, pricing structure, payment based on composition and quality, quality and utilization, consumption patterns, producer marketing quotas, inter-provincial trade, and national dairy policies (see O.M.I.I.C., 1963; Brief number 116, pp. 1-2).

5.5.1 The cost-price squeeze:

The "cost-price squeeze" was an issue amongst most of the elite participants, as it was given more than just passing reference in 6 of the briefs (table 5.22). Fluid and manufacturing milk producers presented a united front towards the need to reduce the price differential between the two markets, but for reasons that protected their own interests. Linking price differentials with quality standards, the OCMPMB were demanding higher prices and access to the fluid market. The OWMPL shared this concern about the low returns from manufacturing milk, in part due to the low returns received from surplus fluid milk, but also because they feared that cheaper manufactured milk products, e.g. multi-milk, would ultimately result in a lowering of fluid milk prices. The Ontario Cheese Producers' Marketing Board presented a contrasting view, demanding lower prices for both manufacturing and fluid milk. Their argument was based on the premise that the production of cheddar cheese was on the decline, since cheese milk producers were sending their milk to the higher priced markets. The OMDA was also interested in the price differential, and devoted 9 paragraphs to the subject, arguing that the price gap between manufacturing and fluid milk should become narrower; in other words, they were demanding a lowering of fluid milk prices. Organized labour was primarily concerned with the retail price of milk, presenting 5 paragraphs in support of preserving home delivery in the face of cheaper supermarket prices.

Table 5.22: The cost-price squeeze (elite analysis)

Category/Brief	9	11	49	12	152	13	19	71	15	101	116	140	104
I. COST-PRICE SQUEEZE	7	5	8	1	0	1	0	3	0	1	11	5	0
A. Price	3	1	2	0	0	0	0	2	0	0	0	0	0
B. Inputs and other costs	0	2	0	0	0	0	0	0	0	0	1	0	0
C. Low profits/constrained capital	0	0	0	0	0	0	0	3	0	1	0	0	0
D. Retail Market	0	0	0	0	0	0	0	0	0	0	2	5	0
E. (Unfair) Price Differentials	4	2	6	1	0	1	0	0	0	0	9	0	0

5.5.2 The production and marketing system:

The "production and marketing system" was discussed by every elite participant, with the exception of organized labour (table 5.23). Problems of production and marketing on a provincial scale was a significant issue amongst the 4 dairy producer organizations, reflecting the previously cited problems of surplus production and competition from cheaper manufactured products. Predictably, the Ontario Cheese Producers' Marketing Board was primarily concerned about the "international market", discussing various aspects of export opportunities for the cheddar market in 9 paragraphs. Concern over the interprovincial movement of manufactured milk products was the topic of concern amongst the agribusiness associations, who complained that the high price of manufacturing milk in Ontario was undermining dairy manufacturing and processing activity in the province. In this case, unrestricted interprovincial movement and cheaper prices for milk in other provinces was forcing manufacturing activity out of Ontario and undermining the fluid industry. Noticeably absent in the OMDA brief were references to the breakdown of territorial boundaries, and to the need to maintain this type of regulation.

Table 5.23: The production and marketing system (elite analysis)

Category/Brief	9	11	49	12	152	13	19	71	15	101	116	140	104
2. PRODUCTION AND MARKETING SYSTEM	6	11	12	4	3	1	2	3	4	6	13	0	2
A. Provincial (Production)	6	5	3	0	0	1	0	0	0	0	4	0	0
B. Provincial (Marketing)	0	4	0	4	3	0	0	0	1	0	5	0	0
C. National Market	0	1	0	0	0	0	0	0	2	1	3	0	0
D. International Market	0	1	9	0	2	0	2	3	1	5	1	0	2

5.5.3 The method of exchange:

The "method of exchange" was an issue amongst the producer organizations, with most of the concern directed towards quota abuses (table 5.24). In this case, however, the

concern was directed at both processors and other producers. The OWMPL and the OCMPMB were expressing concerns towards processor abuses, while the Holstein-Friesian Association of Canada was particularly concerned with the preferential treatment that the Channel Island Breeds were being given by processors, in relation to quota allocation. Their position was also supported by the OWMPL. Noticeably absent from the producer position, was the complete neglect of the issues by the CIBMPA, no doubt reflecting their privileged status with processors. Ignored by the manufacturing sector, organized labour and consumers, the issue of questionable grading practices was only addressed by the OMDA. Devoting 4 paragraphs to the subject, they responded to producers' complaints by supporting further monitoring of their testing procedures by the provincial government or by producers themselves.

Table 5.24: The method of exchange (elite analysis)

Category/Brief	9	11	49	12	152	13	19	71	15	101	116	140	104
3. METHOD OF EXCHANGE	5	5	1	2	0	7	0	1	0	0	4	0	0
A. Quota abuses	5	4	1	2	0	7	0	1	0	0	0	0	0
B. Grading/Butterfat content	0	1	0	0	0	0	0	0	0	0	4	0	0
C. Harmonious relationship	0	0	0	0	0	0	0	0	0	0	0	0	0

5.5.4 Government policy:

The most noticeable characteristic of the elite participants perception of "government policy" was the pre-occupation of the subject by the OMDA (table 5.25). Presenting 49 paragraphs on the subject, in their brief they focused their discussion on the "national dairy policy", the "Milk Industry Board", and "formula pricing". Various aspects of Federal dairy policy were discussed in the brief, with the overall conclusion that price, income and stabilization policies collectively shared a fatal flaw: that of maintaining too many human resources in agriculture (see O.M.I.I.C., 1963; Brief number 116, pp. 34-38). In place of

existing policies, they supported measures that would facilitate adjustment in the industry and permit economic progress. The Ontario Concentrated Milk Manufacturers' Association devoted all of their comments on government policy, by expressing concern towards Federal dairy policy that contributed to increasing surpluses in butter and skim milk. In direct contrast, the OCMFMB and the Ontario Cream Producers' Marketing Board were supporting the continuation of existing Federal policy, specifically the support price for butterfat and the manufacturing milk subsidy.

Table 5.25: Government policy (elite analysis)

Category/Brief	9	11	49	12	152	13	19	71	15	101	116	140	104
4. GOVERNMENT POLICY	5	3	2	7	0	2	0	0	6	9	49	0	2
A. National Dairy Policy	5	0	2	4	0	1	0	0	2	9	13	0	2
B. Butterfat differential	0	0	0	0	0	1	0	0	0	0	3	0	0
C. Ontario Milk Industry Act/Board	0	3	0	2	0	0	0	0	4	0	18	0	0
D. Formula Pricing	0	0	0	0	0	0	0	0	0	0	16	0	0
E. Margarine	0	0	0	2	0	0	0	0	0	0	0	0	0

The OWMPL was concerned primarily with their inability to exert control over the price of their fluid milk. In this case, the jurisdiction problem illustrated the limitations of The Milk Industry Act (R.S.O. 1960, c. 239) Changes to the Act, and to the Milk Industry Board in particular, was also a focus of concern of the OMDA and the Ontario Concentrated Milk Manufacturers' Association. In both briefs, the Milk Industry Board came under considerable attack for their inconsistencies in the arbitration process. The Milk Industry Act (R.S.O. 1960, c. 239) was also criticized by the OMDA on a variety of issues, including the rigidity of marketing regions, imperfections in the classification system, and the restrictive nature of quotas. They also took special notice of the fluid milk pricing formula, devoting 16 paragraphs to its shortcomings. In commenting upon the formula, they stated:

5.5.6 Attitudes and values:

All of the elite participants were prepared to express an opinion reflecting their own "personal philosophy", or discuss a particular group or "organization" in their briefs. As in the other thematic categories, the diversity in the responses was significant, varying from a single paragraph by the Ontario Concentrated Milk Manufacturers' Association regarding the need to countervail the power of the producer, to 43 paragraphs presented by the OMDA (table 5.27). Despite these extremes, four specific issues are worth noting, involving the two breed associations, the Consumers' Association of Canada, organized labour, and the OMDA.

Table 5.27: Attitudes and values (elite analysis)

Category/Brief	9	11	49	12	152	13	19	71	15	101	116	140	104
6. ATTITUDES AND VALUES	5	7	6	5	4	14	12	2	1	6	43	20	13
A. Personal philosophy	0	2	0	3	2	0	0	1	0	0	2	2	1
B. Concentration of ownership	0	1	0	1	0	0	0	0	0	0	2	0	0
C. Countervailing power	0	1	0	0	0	0	0	0	1	1	10	0	0
D. Pooling	1	0	1	1	0	0	9	0	0	1	0	0	0
E. Organizations	4	2	5	1	2	13	3	0	0	3	14	13	6
i. O.V.M.P.L.	0	0	2	0	0	1	1	0	0	0	4	0	0
ii. O.C.M.P.M.B.	0	0	2	0	0	0	0	0	0	0	0	0	0
iii. O.C.P.M.B. (Cheese)	0	0	0	0	0	0	0	0	0	0	0	0	0
iv. O.C.P.M.B. (Cream)	0	0	0	0	0	0	0	0	0	0	0	0	0
v. Holstein/Channel Island Breeds	0	2	0	0	2	12	0	0	0	0	0	0	0
vi. Producer-Distributors	0	0	0	1	0	0	0	0	0	0	0	0	0
vii. Processors/Manufacturers	4	0	2	0	1	5	0	0	0	3	0	9	0
viii. Jug Milk Stores/Chains	0	0	0	0	0	0	0	0	0	0	0	9	1
ix. Consumers	0	0	0	0	0	2	2	0	0	0	11	2	5
x. Media	0	0	0	0	0	0	0	0	0	0	0	0	0
xi. Co-ops	0	1	1	0	0	0	0	0	0	0	0	0	0
F. Trends	0	0	0	0	0	1	0	0	0	1	17	7	0
G. Health	0	0	0	0	0	0	1	1	0	0	0	0	6
H. Advertising	0	2	0	0	0	1	1	0	0	0	0	0	0

First, the expression of opinions clearly reflected the contrasting perceptions of the dairy crisis between the two breed associations. The conflict between the two groups was manifested through their attempts to impress upon the Committee the value (taste, nutritional content, composition, etc.) of milk produced by their respective breeds. The Holstein-Friesian Association of Canada, with modest support from the OWMPL, were attempting to counter the claims of superiority that was being espoused by the high-test shippers. Their defense was primarily based upon allegations of quota abuses between processors and high-test shippers. They argued that the nutritional similarities between the two types of milk, and the importance of efficiency and productivity to the overall health of the dairy industry, made the Holstein cow the preferred choice over their high-test counterparts. In response, the CIBMPA claimed collusion between Holstein producers and the OWMPL, emphasizing that most board and executive positions were occupied by standard shippers. In a less direct attack towards this purported 'alliance', they defended the importance of high-test milk on the basis of composition, acceptance by the consumer (for 2 percent milk), and the significant contribution that their advertising efforts had made to increasing the consumption of fluid milk.

The Consumers' Association of Canada directed most of their brief (13 paragraphs) towards the need to protect consumer interests and towards health related issues within the dairy industry. In the former case, their concern was essentially a function of uncertainty towards possible new legislation. In the latter case, they were in many ways ahead of their time, representing the only brief submitted to the Committee of Inquiry to express concern over the growing use of pesticides and drugs in modern agriculture.

Predictably, organized labour devoted 20 paragraphs to the general problem of declining sales in home delivery, in relation to a corresponding rise in retail sales in supermarkets and specialty milk stores. Their interpretation of this trend attempted to suggest that distributors were not interested in countering new directions in consumption patterns, but were, in fact, restructuring their operations towards the chain store market.

While the rationalization of home delivery was impacting upon job security, organized labour chose instead to defend the survival of home delivery as a "desirable social end" (O.M.I.I.C., 1963; Brief number 140, p. 2). Unfortunately, the importance or convenience of home delivery was not shared by either distributors or consumers, who seemed to be more interested in supporting the new trends in retailing. The Consumers' Association of Canada, for instance, completely ignored the issue of home delivery.

Notwithstanding the importance or novelty of the views expressed in these three briefs, they all reflect the somewhat narrow approach or self interests that characterized each of the submissions. In complete contrast, the OMDA brief reflected a broader awareness of the various issues afflicting the dairy industry, and were more willing to express their opinion towards the need for "countervailing power", the importance of meeting consumer demands, and numerous "trends" occurring in the dairy industry. In the first instance, they used 10 paragraphs to support their claim that the presence of the OWMPL in the price negotiation process had shifted the balance of power to producers, to the point whereby processors were now being exploited. With respect to consumers, they devoted 11 paragraphs to the challenges facing the industry, such as the need to respond to consumer demands and increase consumption. At the heart of their argument was that a lower farmgate price for milk and higher quality standards would eventually result in an increase in consumption. Trends in the industry was the topic in 17 paragraphs, in which they provided their own observations concerning broad changes throughout the production process.

5.5.7: Technology and efficiency:

Perceptions pertaining to the adoption of new technology and the movement towards economic efficiency reflected a convergence of ideology between the Ontario Federation of Agriculture and the agribusiness elites submitting briefs (table 5.28). In this

case there was considerable common ground in the encouragement of greater rationalization throughout the dairy industry. The four major dairy producer groups seemed too pre-occupied with their own internal problems to comment upon the rationalization process, although both the OWMPL and the OCMFMB at least gave passing acknowledgement that rationalization was taking place. The Ontario Federation of Agriculture, however, was more prepared to confront the rationalization issue, and were joined in their concerns by the Ontario Concentrated Milk Manufacturers Association and particularly by the OMDA, who devoted 12 paragraphs towards the need for rationalization.

Table 5.28: Technology and efficiency (elite analysis)

Category/Brief	9	11	49	12	152	13	19	71	15	101	116	140	104
7. TECHNOLOGY AND EFFICIENCY	1	1	0	0	0	0	0	6	2	4	14	5	0
A. Need to rationalize/Expand	0	0	0	0	0	0	0	6	2	4	12	5	0
B. Rationalization well underway	1	1	0	0	0	0	0	0	0	0	2	0	0

The positions towards rationalization were actually quite similar between the producer and agribusiness elites who confronted the issue. A common concern was in regards to an existing institutional system that maintained inefficient production and processing, and limited opportunities for expansion. The OMDA were quite adamant in linking the need for rationalization at the production level to the resolution of the dairy crisis:

The Canadian farm problem is basically one of excess human resources in agriculture. The returns to other resources in agriculture are reasonably close to what non-farmers receive from investments with similar risks. Thus, the low income problem in Canadian agriculture is largely related to the fact that there are too many people working in agriculture for the returns realized (O.M.I.I.C., 1963; Brief number 116, p. 7).

In this context, they argued that rigid institutional arrangements and Federal policies were not addressing the surplus of human resources that were committed to agriculture.

Furthermore, they emphasized that rigidities in the institutional structure also extended well into the processing and distribution sector, which was in need of new government policies that would facilitate the rationalization of this part of the industry; a view towards territorial boundaries that was contrary to the status quo philosophy of the small local dairy.

A variation of the farm problem interpretation was provided by the Ontario Concentrated Milk Manufacturers Association, who were encouraging rationalization in agriculture as a means of ultimately reducing the Federal subsidies that were supporting inefficient producers. They argued that the removal of Federal subsidies, and the encouragement of greater economic efficiency, would lead to a leaner industry by eliminating small producers. This view received unexpected support by the Ontario Federation of Agriculture, who also recognized the need for rationalization and a new institutional structure that would facilitate expansion, despite the political sensitivity of the issue:

At first, the weeding out of unsatisfactory dairy farms will be distasteful, unpopular politically, and upsetting to the individual operator. Nevertheless, if there is to be a sound industry, the careless operator cannot be tolerated. It is in the best interests of progressive dairymen (happily in the majority) and of the consuming public that production of milk under unwholesome conditions be brought to an early end (O.M.I.C., 1963; Brief number 71, p. 3).

The position taken by the Ontario Federation of Agriculture is important, since it represented a general farm level view of the problems underlying the dairy crisis, and perhaps unwittingly gave further credibility to the agribusiness interpretation. In consideration of these 3 briefs, it appears that producer and agribusiness interests shared a common view towards the rationalization process. No doubt this view was predicated upon serving their own self interests, but to some degree it also reflected an understanding that working together towards goals that were mutually beneficial would help resolve the crisis in the industry.

5.5.8 Solutions and recommendations:

Despite the competitive nature of the dairy industry, an examination of the proposals from the elite participants suggests many areas of common interest, even though the solutions presented are classified as both "free enterprise" and involving some form of "increased state intervention" (table 5.29). With the exception of the CIBMPA, the major producer organizations were generally in agreement over the joint proposal for a marketing plan, that was put forth by the OWMPL and the OCMPMB. In contrast, the Ontario Concentrated Milk Manufacturers Association and the OMDA appeared to be prepared to accept new legislation, if government policy encouraged rationalization throughout the dairy industry. The agribusiness position involved accepting the increased state intervention that was necessary to rationalize the industry, and which would eventually result in lower prices for processors. Peripheral proposals came from organized labour, who demanded the establishment of minimum retail prices for milk, and from the Consumers' Association of Canada, who demanded equal representation on a marketing board. In the former case, the intended purpose was to minimize the price spread between 'jug milk' and home delivery.

The joint proposal submitted by the OCMPMB and the OWMPL was a comprehensive production and marketing plan, representing in many ways a "formal" alliance, as reflected in the 45 paragraphs that were collectively devoted towards describing its content. Comprised of two phases, the proposed plan generally attempted to provide access into the previously restricted fluid milk market, while preserving the privileged position obtained by producers who held fluid quota. The first phase involved establishing a marketing board to administer the plan, that would consist of an independent Chair and 6

Table 5.29: Solutions and recommendations (elite analysis)

Category/Brief	9	11	49	12	15	2	13	19	71	15	101	116	140	104
1. NO CLEAR RECOMMENDATIONS	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2. FREE ENTERPRISE	0	0	0	0	0	0	0	0	0	5	3	0	0	0
A. No regulations/Government	0	0	0	0	0	0	0	0	0	0	0	0	0	0
B. Less regulations	0	0	0	0	0	0	0	0	0	1	0	0	0	0
C. Eliminate quotas	0	0	0	0	0	0	0	0	0	0	1	0	0	0
D. Greater economic efficiency	0	0	0	0	0	0	0	0	0	4	2	0	0	0
3. STATUS QUO	4	2	0	1	1	2	5	7	0	0	8	1	5	0
A. Marketing/Territorial Boundaries	0	0	0	0	0	0	0	0	0	0	0	0	0	0
B. High quality/Central testing	4	1	0	1	0	0	0	3	0	0	8	0	3	0
C. Increased production/marketing	0	1	0	0	1	2	5	4	0	0	0	1	2	0
4. INCREASED STATE INTERVENTION	30	25	4	8	4	10	17	15	16	12	7	3	1	0
A. Two Ontario markets	0	0	0	0	0	0	0	0	0	0	0	0	0	0
B. Price formula/classification	4	0	0	0	0	9	17	0	4	8	5	3	0	0
C. Pooling of returns/Direction	5	1	0	1	0	1	0	3	0	0	1	0	0	0
D. One Marketing Agency/Plan	21	24	4	7	4	0	0	15	0	0	0	0	0	0
E. Transition period necessary	0	0	0	0	0	0	0	0	0	0	0	0	0	0
F. National co-ordination	0	3	0	0	0	0	0	2	0	2	2	0	0	0
G. Equal representation	0	0	0	0	0	0	0	0	12	2	0	0	1	0

producer representatives, drawn equally from the manufacturing and fluid milk sectors. The purpose of the plan was to market all raw milk produced in Ontario to distributors and processors, and to deduct levies to help maintain minimum prices to producers when manufactured products were exported.

The second phase consisted of 11 sub-sections, and began with the separation of fluid producers into two classes:

Class A, which would include all producers who met at least the minimum requirements of quality and farm conditions to supply milk to the fluid market; and

Class B, which would include all other producers who met at least the minimum requirements of quality to supply milk to the manufactured milk market.

Other relevant sub-sections pertaining to the production sector, include: (i) provisions to allow all Class A producers to share equally in the returns from fluid utilization; (ii) to establish a quota system for all producers, based on 1962 sales; and (iii) the classification of Class A producers as (a) all producers currently with fluid milk quotas, and (b) any manufactured milk producer whose farm conditions meet minimum requirements.

The joint proposal also attempted to take into account the need to co-operate with the processing sector, and the need to co-ordinate a marketing plan with Québec. In their efforts to alleviate agribusiness fears towards a producer operated marketing board, the OWMPL emphasized:

[the] League believes that any future Marketing Board should respect the interests of, and work as closely as possible with, all dairy business enterprises (O.M.I.I.C., 1963; Brief number 11, p. 13).

To meet this end, the plan also proposed the creation of a Milk Industry Committee, to discuss problems and to make recommendations to the Board, which would consist of: (i) the seven Board members, (ii) one concentrated milk processor, (iii) one milk distributor, and (iv) one consumer representative. There was also to be an Advisory Committee, comprised of the Executives from the two producer groups. Although not directly involved in the creation of the proposal, the Ontario Cheese Producers' Marketing Board supported the concept of a single marketing plan, but only if the needs of the cheese industry were considered; in this case, higher cheese milk prices vis-a-vis milk for other manufacturing purposes. The Ontario Cream Producers' Marketing Board was also supportive of a single plan, conditional upon them being allowed to join the Board at their convenience.

Regarding the other producer elite submissions, the concept of a single marketing plan received considerable support from the Ontario Federation of Agriculture. Although they submitted their own recommendations regarding a marketing plan, it was virtually identical to the joint proposal, with perhaps more emphasis on rewarding efficiency while maintaining balance between supply and demand. The only real producer opposition to the

proposed marketing plan came from the CIBMPA. In their recommendations, the two breed associations were more concerned with proposing changes in the classification and pricing of their respective milk, while the CIBMPA rejected the proposed plan and demanded that they be allowed to negotiate on their own behalf in any new marketing arrangement.

The agribusiness elite were more concerned with achieving greater economic efficiencies throughout the dairy industry, instead of opposing the marketing plan. The Ontario Concentrated Milk Manufacturers' Association, in fact, were supportive of a marketing board, since it provided advantages for both the producer and processor by stabilizing the industry (see O.M.I.I.C., 1963; Brief number 15). Their only concern was to have equal representation on any board. In comparison, the OMDA did not specifically address a marketing board (although they presented a single paragraph recommending the removal of quotas), nor did they make equal representation an issue. Their principal demands were directed at changing the institutional structure of the industry, to allow for greater economies of scale in both the production and processing sectors of the dairy industry. In this case they stressed the importance of improving economic efficiency, the maintenance of the highest quality standards for milk production, and changes in the fluid price formula. The OMDA believed that the adoption of these proposals would allow for greater flexibility and adaptability throughout the industry, resulting in a lower price for fluid milk, and no doubt also result in greater profits for the processing sector. In many respects, these views towards the production sector were shared by the Ontario Federation of Agriculture. In this sense, the agribusiness elite and the Ontario Federation of Agriculture perhaps represent an "informal" alliance based upon a convergence of ideology towards rationalization, the adoption of new technology, and the movement to achieve greater economic efficiency.

5.6 Recommendations and government legislation:

In this section the discussion compares the principal recommendations of the Committee, and the legislative response, with the elite perceptions of the various themes associated with the crisis. Although many of the recommendations formed the foundation of The Milk Act (R.S.O. 1970, c. 273), there were notable differences between the two documents; in other words, not all of the recommendations were included in the legislation. The evaluation of the legislative response to the elite perceptions of the crisis, is somewhat constrained by the flexible nature of the new Act. Perhaps the best definition of The Milk Act (R.S.O. 1970, c. 273) was provided by the trade journal of the OWMPL, which described the new regulations as "enabling or permissive legislation" (Ontario Milk Producer, May, 1965). The legislation merely established the institutional structure, beginning with the creation of the Ontario Milk Commission, that was required to facilitate change. The implementation of policies, however, that have since radically altered the dairy industry, has been a longer and slower process, e.g. the complete rationalization of the transportation sector was not completed until the early 1980s. The evaluation of policy vis-a-vis the interests of the elite participants, therefore, can only be considered on a long term basis.

The Report of the Ontario Milk Industry Inquiry Committee (Hennessey et al., 1965), was submitted to the provincial legislature on January 29th, 1965, approximately 20 months after the Inquiry was created. There was general agreement amongst industry representatives and government officials that the report attempted to critically address a plethora of problems afflicting the dairy industry. To resolve the dairy crisis, the Committee of Inquiry attempted to balance the interests of producers, with the economic demands of agribusiness. To accomplish this objective, they recommended significant changes to the existing legislation that would facilitate rationalization throughout the

industry, while at the same time institutionalizing producer control over the production and marketing of milk.

In his opening statement to the Ontario Legislature before introducing The Milk Act (R.S.O. 1970, c. 273), the provincial Minister of Agriculture commented upon the report:

There is no doubt that this report indicates very strongly that changes are needed in milk marketing in Ontario, in order to avoid serious deterioration in the industry and to enable it to strengthen and continue its position of importance in the Provincial and Canadian economies (Ontario Milk Producer, May, 1965; p. 16).

The Minister's comment provides a succinct, and useful description of the Committee's prescription to ameliorate the dairy crisis. A review of the principal recommendations (table 5.30) indicates that the Committee was responding to producer requirements for a unified and comprehensive marketing plan, but were also supporting agribusiness demands for greater freedoms and flexibilities in the institutional structure regulating the production process. In other words, the Committee proposed recommendations for the radical restructuring of the production and processing sectors, in order to achieve greater economic efficiencies throughout the industry.

In consideration of the joint proposal put forth by the OCMFMB and the C^o MPL, and the perceptions of the crisis by most producer participants, a number of recommendations can be identified as responding directly to these producer interests, including: the establishment of a milk producers' marketing pool; the establishment of one marketing area in southern Ontario, and the continued functioning of northern Ontario as a number of small markets; government central testing of raw milk for quality and consumption; decisive action to achieve production of only top quality milk; the reorganization of transportation arrangements; and close co-operation between Ontario, Québec and the Federal government. These recommendations confronted a number of problems at the production level, such as low incomes, access to the fluid

Table 5.30: Summary of principal recommendations:

1. The creation of the Ontario Milk Commission to supersede the present Milk Industry Board, and to assume broader responsibilities and authority;
2. The establishment by Government of the Milk Producers' Pool replacing certain existing producer organizations, to be controlled by producers and to have authority to sell all fluid milk, and responsibility to buy all top-quality milk offered to it;
3. Subject to the Pool's position, full freedom for all producers of milk, including cream shippers, to market their products to the best advantage;
4. Southern Ontario to be regarded as one marketing area; northern Ontario to continue to function as a number of small markets;
5. Independent testing of all raw milk for quality and composition in laboratories operated by the Ontario government;
6. Intensive study of the basis of payment for raw milk and of the possibility of adopting a new method, as soon as possible;
7. Compensatory payment to present holders of fluid-milk quotas to be made by the Ontario government at the rate of, say, \$5 per pound per day;
8. Decisive action by the Ontario Milk Commission, the Milk Producers' Pool, and all other segments of the industry in a determination to achieve production of only top quality milk at a very early date, and to eliminate all milk and milk products of inferior character;
9. Early disappearance of protective arrangements, including marketing and distribution areas, fluid milk quotas of the present kind, formula pricing, and detailed transport licensing;
10. Adoption of policies and methods that will result in a constant flow of milk through the year, and so permit more effective planning and fuller utilization of industry resources;
11. Analysis, reorganization, and continued review of transportation arrangements in order to minimize or eliminate duplication of movement, waste, and inefficiency; continued conversion to bulk handling;
12. Increased research activity in every phase of the industry in order to cope with technical problems, to improve managerial performance, and to extend the demand for milk and milk products; and
13. Close co-operation and frequent consultation by the provinces, particularly Ontario and Québec, to deal with matters of mutual concern, and to achieve appropriate action at the federal level.

Source: Hennessey et al., 1965; pp. 5-6.

market, the elimination of marketing boundaries, and collective control of milk and milk prices.

Essentially, the primary intention of these recommendations were to resolve conflict within the production sector, and to a lesser degree to resolve conflict between producers and agribusiness firms. The establishment of a milk producers' pool, the creation of a single marketing region in southern Ontario, and the freedom for producers to market their milk to their best advantage, collectively addressed the internal production and marketing problems that were presented to the Committee during the hearings. In response, the Committee was recommending the removal of rigid and outdated regulations that were inhibiting efficiency or in some cases randomly inflicting hardships upon both manufacturing and fluid milk producers. Combined with policies that would encourage economic efficiency, the Committee was clearly directing its recommendations towards improving producer incomes and supporting the family farm in its "economically efficient form" (Hennessey et al., 1965; p. 219).

The most contentious issue facing fluid milk producers was the recommendation to eliminate quotas and formula pricing, while allowing access into the fluid market by all qualified producers. The elimination of the existing fluid quotas, which were to be replaced by 'bases', would establish an initial situation whereby any qualified producer could gain an equal access to the fluid market. In other words, all large scale producers of manufacturing and fluid milk would have equal access to the more lucrative fluid market. Although the fluid milk producers were to receive a one time payment for their quotas, the recommendation was noticeably different from the joint producer proposal, which allowed for both the retention of quotas and provisions for manufactured milk producers to enter the higher priced fluid market. The removal of formula pricing for a system that was more market responsive, was also contrary to producers demands.

In terms of the breed associations, most of the recommendations seemed to favour the Holstein variety, rather than the special interests of the Channel Island Breeds. Most

notable were the removal of quota control from individual processors and distributors, into the hands of the producer marketing pool, and the encouragement of economic efficiency. The only concession was the recommendation to provide for the intensive study of the basis of payment for raw milk.

In terms of producer - processor relationships, collective bargaining through a unified milk producers' pool, the control and rationalization of transportation, and the central testing of milk and milk products, were all directed at minimizing conflict between these traditional adversaries. However, from the processors perspective, none of these allowances were really in conflict with their articulated interests. In fact, the recommendations to improve efficiency, achieve the highest possible quality standards, and to remove quotas and formula pricing, were all demands put forth by the agribusiness elite. With respect to collective bargaining, the OMDA had expressed noticeable dissatisfaction with the former Milk Industry Board and a marketing system that included numerous markets involving onerous negotiations; hence, in comparison with status quo, the combination of one single marketing agency and one southern Ontario market would in many ways be more acceptable to agribusiness interests.

More specific to the interests of distributors, the report clearly recommended the removal of distribution areas (territorial boundaries). This recommendation was perhaps just as important to the agribusiness elite, than any of the other proposals to improve the industry. In consideration of the submitted briefs to the Inquiry and a review of the transcripts, however, it is noted that the overall membership of the OMDA was clearly divided on the issue of distribution areas. On the one hand, 15 small local dairies and a small number of local producer associations, submitted briefs that demanded the retention of territorial boundaries. Providing opposition were the executives of the OMDA (who were also executives of the major dairies), who openly stated their preference for the removal of distribution areas while representing the association during the preliminary hearings. The recommendation to remove territorial boundaries was clearly aimed at

assisting the large processor to achieve higher economies of scale, than what was possible under the existing institutional structure. Although the Committee was conscious of the fact that not all members of the OMDA supported their brief (see O.M.I.I.C., 1963; Transcripts, Volume 37; and Hennessey et al., 1965; pp. 188-193), they nonetheless recommended to allow distributors to operate on a province-wide basis, while remaining confident that healthy competition would continue to characterize the industry.

In terms of the actual legislative response, The Milk Act (R.S.O. 1970, c. 273) included most but not all of the recommendations presented by the Committee of Inquiry. Because of the great similarities between the two documents, it would be redundant to present the 31 sections of the Act in detail, in relation to the perceptions of the crisis that the competing interests groups presented at the Inquiry. Instead, the discussion makes reference to some key sections of the Act, and identifies some of the significant differences between the Committee's recommendations and the legislative response. From the outset, it is important to note that the legislation was generally supported by the representatives of the major dairy producer groups and also by the OMDA and the Ontario Dairy Processors Council (see Canadian Dairy and Ice Cream Journal, June, 1965), although in the latter case with minor reservations. Given the need for decisive and immediate political action, and the industry's general support of the proposed Bill, the legislation was passed unanimously by all provincial parties, less than 5 months after the submission of the report. From the producers' perspective, the enabling legislation allowed for the creation of the Ontario Milk Commission, the establishment of a 'pool' or marketing board, the independent testing of all raw milk, the establishment of two separate markets for northern and southern Ontario, and the encouragement of top quality milk (Ontario Milk Producer, 1965; June). In other words, the key producer recommendations of the report were incorporated into the Act. Furthermore, there are two notable additions, the retention of the pricing formula and fluid quota, which suggests that the government decided to redirect the legislation more towards producer interests. The inclusion of these additions, however,

however, does not necessarily suggest the neglect of agribusiness interests. The pricing formula was retained, but revamped to better reflect the costs of production. The definition of quota, which closely reflected the joint proposal from the OWMPL and the OCMPMB, was still a dramatic departure from the previous quota system that was criticized by both producer and agribusiness interests.

Officially, the OMDA did not publicly criticize the legislation, and in fact accepted its provisions as:

[an] honest attempt to bring much-needed order and stability to the complicated problems of milk marketing in Ontario (Canadian Dairy and Ice Cream Journal, July, 1965).

From the agribusiness perspective, the legislation addressed many of the concerns expressed by their elite participants to the Inquiry, particularly in terms of changes in the institutional structure regulating production and processing activity. At the production level, this included provisions for a more regular flow of production and greater economic efficiency, while the delineation of larger distribution boundaries reflected the demands for change in the processing sector. Processor participation and representation was also considered in the legislation, with the provision of a conciliation procedure that would eliminate needless arbitration in price negotiations, and the establishment of an advisory committee that would provide a common ground for processors, distributors, producers and truckers for the purpose of solving mutual problems.

While the legislation arguably represented a response to both producer and agribusiness demands, a key facet of The Milk Act (R.S.O. 1970, c. 273) was its flexibility in terms of providing the foundation for change. The establishment of the Ontario Milk Commission and the creation of the O.M.M.B., on November 1st, 1965, provided the institutional framework and the means to implement rules and regulations that were consistent with the Act. The question that remains unanswered concerns identifying the direction that was taken by the producer controlled marketing board during the early

formative years. While a detailed analysis of dairy policy over the last 25 years lies well beyond the scope of this thesis, it is useful for the discussion to consider two important policy initiatives that represent responses to specific concerns expressed to the Committee of Inquiry.

At the production level, a long term quota policy was established in 1967, which formally established fluid milk quotas and provided new quotas under the graduate entry program, to industrial (manufacturing) milk producers that were not supplying the fluid market but were qualified to do so (see Sundstrom, 1978 and 1984; Hurd, 1982; and Ontario Milk Marketing Board, 1989). Under this policy, quotas were also allowed to remain negotiable, which has enabled the individual farmer to expand or reduce his/her dairy enterprise according to their means. Notwithstanding the spiralling costs of fluid quota, in principle the policy ensures access into the fluid market, and yet does not restrict the freedom of existing fluid producers to expand production.⁹ At the processing level, while the Ontario Milk Marketing Board guarantees the delivery of raw milk for fluid purposes upon demand, one of first actions undertaken by the Ontario Milk Commission was to reduce the number of distribution areas in southern Ontario to 12 (see McCulloch and Carbert, 1976). In this case, fluid distributors were given the freedom to consolidate their processing plants, essentially without any restrictions.

5.7 Summary and conclusions:

The crisis in the dairy industry began with what was essentially a chronic producer problem: low prices and inadequate incomes. Within a broader context, however, the crisis was actually a problem involving conflict; specifically, the inability of the 4 major dairy producer groups to resolve their differences and organize into a unified marketing agency.

⁹ There are maximum quota limits of 5,000 litres per day, but of the 9,768 licensed milk producers in Ontario, in 1987, there were only 3 producers near or at that level (see Brinkman and Lane, 1988).

The principal impediment to unification was the failure of the 4 groups to balance the need to allow freer access into the more lucrative fluid market, and the right of fluid producers to maintain and expand their quota requirements. Further compounding the problem was the exclusion of processor participation in the policy-making process.

Faced with a production sector that was incapable of successfully confronting the dairy crisis, the state intervened by appointing a Committee of Inquiry to investigate all facets of the industry, throughout the production process. During the course of the Inquiry, the Committee entertained 155 written briefs, that reflected a variety of different viewpoints from every segment of the industry, including individual producers, small local dairies, agribusiness organizations, organized labour, consumer groups and academic 'experts'. The problem of low prices was actually just one part of a broader problem, which basically involved an institutional structure that was incapable of responding to the increasing complexity of the dairy industry. The general trends towards the industrialization of agriculture, the consolidation of the processing sector, and changing consumption patterns, were all operating within an institutional structure that could not adequately address these changes. Consequently, the real problem facing the Committee was to eliminate the rigidities in the institutional structure that was causing conflict throughout the industry.

Based upon an analysis of content of the 109 written briefs submitted by producer participants to the Inquiry, the most frequently cited issues were the "cost-price squeeze", problems in "production and marketing", and "quota abuses" between producers and processors. Upon closer examination, however, these problems typically involved conflict amongst producers, rather than between the production and processing sectors of the industry. Incomes were low because of the inability of the producer groups to control the direction or price of surplus milk, while the growth or decline of quotas seemed to be random or arbitrary, and not tied to the economic performance of the producer. Conflict between producers and processors concerning quota allocation were allegedly rampant throughout the province, but the perceptions expressed by the producer participants

indicates that this issue was actually perceived as conflict between standard and high-test shippers.

From the perspective of the dairy groups representing producers of fluid and manufacturing milk, a solution to the problem was to restructure the existing Milk Industry Act (R.S.O. 1960, c. 239), and create a single marketing agency that had the power to control the production and marketing segments of the industry. In many respects, there was common ground between the demands of agribusiness and the requirements of the major producer groups. The OMDA expressed considerable dissatisfaction with the existing price negotiation system, were convinced that the Milk Industry Board was producer biased, and were constrained in their own ability to expand production and consolidate their operations due to outdated territorial boundaries. The agribusiness interests therefore had their own vested interests in supporting radical change in the existing institutional structure.

The Committee's recommendations and the legislative response were virtually identical, although it can be argued that The Milk Act (R.S.O. 1970, c. 273) was more sensitive to producers demands. Nonetheless, the overall plan to resolve the dairy crisis seemed to take into account both producer and processor interests. To a certain extent, the Committee of Inquiry was in a favourable position to recommend solutions to the crisis, given the joint proposal from the OWMPL and the OCMPMB, and the support from the other two dairy producer groups. There is little doubt that a unified joint proposal was a critical breakthrough for the policy-making process. Perhaps just as important, however, was the position of the agribusiness elite who were supported by the Ontario Federation of Agriculture in their demands for a new institutional structure that would facilitate adjustment in the industry and permit economic progress. In this regard, the demands of the OMDA were received by a sympathetic Committee, whose principals guiding the Inquiry was clearly directed towards a business-economic efficiency approach.

One of the key aspects of The Milk Act (R.S.O. 1970, c. 273), was its flexibility. In its form as 'enabling legislation', the Act established the foundation to implement

policies that could revolutionize the industry. The institutional structure that was put in place, clearly attempted to address the mutual interests of large scale 'efficient' producers and large agribusiness firms. At the production level, producers were given control of the production and marketing arrangements, fluid producers retained the right to their quota and had the freedom to expand, and 'qualified' producers of manufacturing milk had access to the more lucrative market. In contrast, processors were now able to deal directly with a single marketing agency that provided a conciliation procedure, agribusiness input was assured in an advisory capacity, processors were guaranteed a reliable flow of high quality milk, and the reduction in the number of distribution areas provided the freedom to consolidate their operations.

As a way of conclusion, it is useful to consider Mitchell's description of Canadian dairy policy during the time of the crisis:

The 1958-66 era of 'hanging on' in dairy production was replaced unofficially by the slogan 'shape up or ship out' and officially by the concept of supply management (Mitchell, 1975; p. 123).

The dairy industry in Ontario that emerged from the Inquiry was still in the midst of a crisis, but the legislative response provided the institutional framework that was necessary for change. In basic terms, the government legislation allowed for the most efficient producers and processors to concentrate their efforts upon their own segment of the production process, by providing a stable institutional environment that was committed to rationalization. In this regards, there can be little doubt in terms of the specific "winners" and "losers" in the dairy agricultural policy-making process. The radical legislation that provided the foundation for future substantial restructuring represents a "win-win" proposition for both large scale producers and large agribusiness firms, while the 'losers' of the process are represented by the thousands of small scale producers and local dairies that were 'shipped out' of the industry. While this fact may not be surprising to those familiar with the dairy industry, it is significant to note that large scale agribusiness

interests were prepared to work with a new milk marketing board, especially if legislation facilitated rationalization throughout the production process.

Given the successful introduction of supply management in Ontario, the Federal government established the Canadian Dairy Commission in 1966, to co-ordinate dairy policies on a national basis. In turn, this led to the rapid adoption of supply management in all provinces across Canada. While the fluid milk market was thus became balanced between supply and demand on a provincial basis, the industrial milk market (manufacturing milk) was still unco-ordinated on a national basis. In 1970, a national milk marketing plan was established that would allocate production quotas (market supply quota) to all provinces, based upon historical levels of production. Although Ontario and Québec were the only original members, all other provinces, with the exception of Newfoundland, joined the national plan by the mid 1970s.

Chapter 6: Conflict and the policy-making process in the beef livestock industry

6.0 Introduction:

In the autumn of 1974, the vivid television images of Québec dairy producers engaged in the 'public' mass slaughtering of calves prompted an emergency parliamentary debate on the beef livestock industry in Canada. By January, 1975, the Federal government responded to the crisis in the beef livestock industry and established a Commission of Inquiry to investigate all aspects of the Canadian beef and veal marketing system. The Commission was facing the problem of determining solutions to the crisis that had gripped the beef livestock industry since 1973. In this case, the Commission and the Federal agricultural policy-makers had to choose between 2 options: (i) to modify the existing free enterprise marketing system; or (ii) introduce a marketing board system that could eventually lead to supply management. In the Report of the Commission of Inquiry into the Marketing of Beef and Veal (Mackenzie et al., 1976), the Commission completely rejected the concept of a beef marketing board, and recommended modifying the existing beef marketing system, in order to ameliorate the crisis. How and why the state intervened to resolve the beef crisis without a marketing board is the focus of this chapter.

The chapter is organized into 6 major sections, with the initial purpose to outline the structure of the beef industry in Canada, in order to provide the necessary background information that led to both the beef crisis of the 1970s and the legislative response. The first section provides a concise descriptive overview of the Canadian beef industry, in terms of how it evolved to the 1975 patterns of production, processing, continental and international trade, and the major methods of exchange utilized by cattle producers. Consideration in this section is also given to the provincial and regional patterns of production and marketing that generally characterized the Canadian beef system at that time, and which have historically defined geographical conflict within the industry. In section 2, the discussion turns its attention towards the roots of the beef crisis of the mid 1970s that

precipitated a Commission of Inquiry in 1975. In the latter context, the focus is upon the terms of reference of the inquiry into the marketing of beef and veal, and the composition of the Commission itself.

A preliminary analysis of the 1975 Commission of Inquiry into the Marketing of Beef and Veal¹ is presented in section 3, with an examination of the location and actual organization of the hearings, including the identification of the major participants. The central argument in this section is that from the outset, the structure of the inquiry was biased towards the interests of the elite participants from the agricultural and agribusiness sector. This argument is further explored in the later sections, particularly in sections 4 and 5, within which a dual content analysis (combining both qualitative and quantitative techniques) is employed to evaluate the 113 briefs submitted to the Commission of Inquiry. This segment of the discussion is supplemented by a selected investigation of over 4,000 pages of transcripts to the hearings, specifically involving exchanges between the Commission of Inquiry and the elite participants. Time constraints did not allow for a detailed investigation of the transcripts beyond the presentations by the elite participants selected for more detailed analysis. Lastly, in section 6, the principal recommendations from the Inquiry and the government response (both Federal and Provincial) are compared to the articulated interests of the major participants submitting briefs.

6.1: The Canadian Beef Industry, 1975

The Canadian beef industry is composed of many interrelated and competitive components, including producers, meat packers and processors, wholesalers, retailers, and ultimately consumers. In a contemporary context, the system had undergone considerable change since the early 1960s; changes that were beginning to become firmly evident by the mid 1970s. A general contraction in the number of producers had been countered by an

¹ Hereupon referenced as C.I.M.B.V., 1975. The referencing of the background papers (briefs and transcripts) differs from the actual report, which is cited after the members of the Committee, beginning with the Chair, e.g. Mackenzie et al. (1976).

increase in the number of cattle, while the relatively stable, if not increasing, number of meat slaughtering and processing plants had been foreshadowed by a shift in agribusiness activity towards the major production areas in Canada (namely from Quebec to Alberta). Underlying these changes was a production system that had distinct geographical differences, while the marketing system itself was organized into a complex network of interprovincial trade, continental and international trade, and diverse marketing arrangements.

At the production level, the number of cattle other than milk cows, in Canada, increased 47 percent, between 1961-1975 (table 6.1), while the number of census farms reporting sales of cattle livestock declined from 320,143 in 1960 to 218,524 by 1970. Notwithstanding the rate of inflation, the value of cattle had also increased dramatically by 1973, representing a total value over 3 times the amount for 1961. However, by 1975 the increasing number of cattle contributed to a surplus of beef, resulting in an overall reduction of approximately \$723 million, in the value of cattle sold. This dramatic drop in value is further illustrated in the value/head of cattle, which dropped from \$276 in 1973, to \$197 by 1975.

Table 6.1: Cattle other than milk cows: number on farms @ June 1, farm values per head and total farm values, for Canada, selected years

Year	Number	Value/Head	Total Value 000's
1961	8,947,000	\$117	\$ 1,049,850
1966	10,205,000	134	1,371,841
1971	11,016,000	183	2,015,214
1972	11,474,000	216	2,472,748
1973	12,010,000	276	3,313,015
1974	12,930,000	269	3,477,314
1975	13,128,000	197	2 590,643

Source: Livestock and Animal Products Statistics, 1975; Statistics Canada (1976)

Table 6.2: Value of cattle livestock sold, by province, 1970

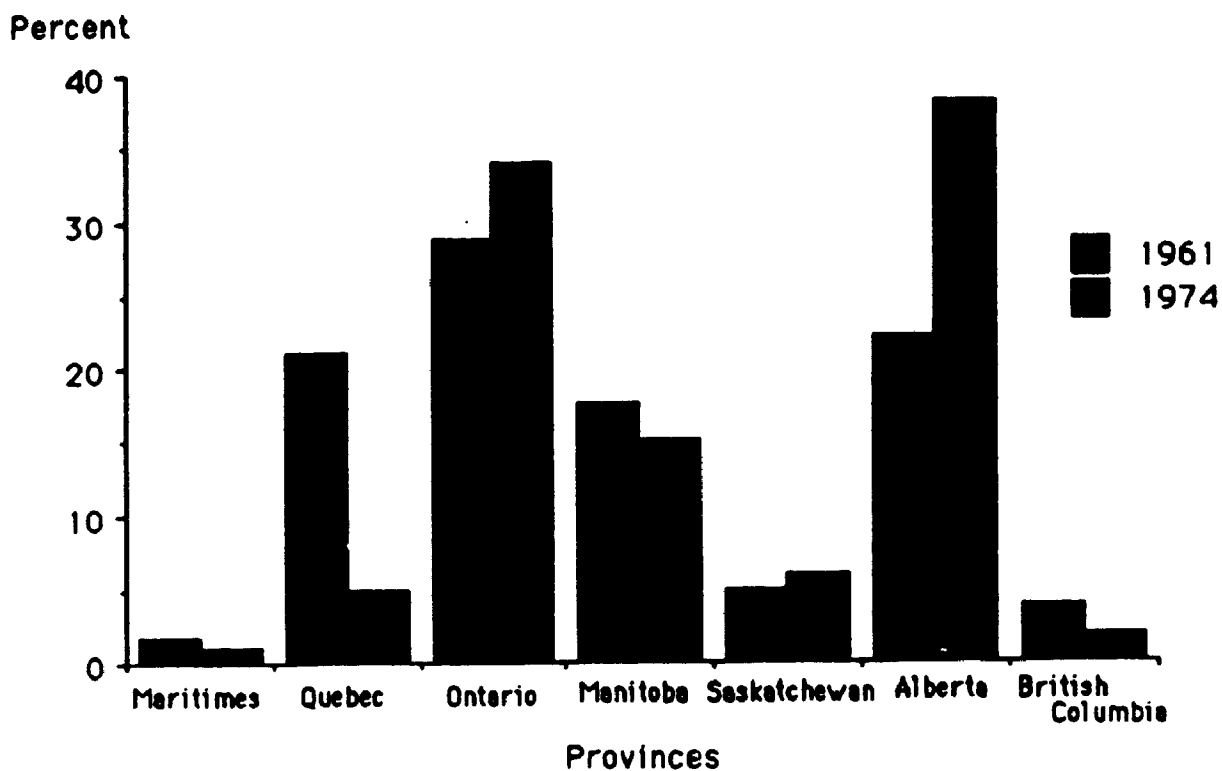
Province	Value of Cattle	No. of Census Farms Reporting	Average Value Per Farm
Newfoundland	378,280	414	914
Prince Edward Island	7,837,650	3,289	2,383
Nova Scotia	7,840,040	3,829	2,048
New Brunswick	5,369,000	3,187	1,685
Quebec	59,970,970	39,886	1,504
Ontario	391,604,100	57,800	6,775
Manitoba	99,142,530	20,113	4,929
Saskatchewan	215,082,160	41,139	5,228
Alberta	428,709,450	40,599	10,559
British Columbia	47,673,680	8,265	5,768
Canada	1,263,615,060	218,524	5,782

Source: derived from Statistics Canada, Census of Agriculture (1971).

On a provincial basis, using the value of cattle sold in 1970 as a surrogate measure for production, cattle livestock were found predominantly in Ontario and Alberta (table 6.2). Although Ontario had the largest number of census farms reporting the sales of cattle (57,800), Alberta had the largest value of sales (over \$428 million). This value reflects the relatively large size of cattle operations in Alberta (in terms of cattle numbers), vis-a-vis all other provinces, and was further reflected in this province having the largest average value per farm. In an historical context, the 1970 distribution of cattle also represented a significant shift of production from Quebec, into the province of Alberta. This trend was further illustrated in a comparison of the amount of Federally inspected beef slaughtered, in 1961 and 1974 (figure 6.1).² Quebec's share of inspected beef slaughter declined dramatically from 21.1 to 5 percent, while Alberta (and to a lesser degree Ontario) increased its provincial share.

² Most slaughter plants are inspected by Federal officials. There are some plants, however, particularly of the small scale variety with local markets, that are under provincial meat inspection and are not documented in the Census of Manufacturers.

Figure 6.1: Federally inspected beef slaughtered by Province, 1961 and 1974



Source: Mackenzie et al. (1976).

These provincial differences in production have had ramifications in terms of the marketing and transportation of cattle across Canada. The Canadian beef livestock industry was unique, in that a large percentage of cattle produced in Alberta were destined for the Ontario or Quebec market; in the former case, animals for further feeding in feedlots, and in the latter case, in the form of finished beef. Ontario and Quebec were essentially production deficit areas, as Quebec produced only 15 percent of its consumption requirements, in 1974. With the movement of Albertan feeder cattle to Ontario's feedlots, Ontario was essentially in balance between production and consumption. Only Alberta and Manitoba were major domestic exporters of beef, while British Columbia, Quebec and

Atlantic Canada were in a deficit position, making them dependent upon Albertan cattle and beef, in particular, for their domestic requirements.

The distribution of cattle across Canada was also variable in terms of the age and sex of the animals. In consideration of the number of cattle and calves slaughtered in federally inspected establishments, it was evident that the dairy industry had significant influence upon production and slaughtering patterns (table 6.3). Although 15 percent of Canada's total cattle and calve slaughter was in Quebec, Federally inspected establishments in this province slaughtered twice as many calves as cattle. Further, of the 205,224 cattle slaughtered in Quebec, in 1975, almost 50 percent were grade D4, as compared to the Canadian average of 11 percent. In contrast, over 60 percent of the cattle slaughtered in Ontario and Alberta were grade A1 or A2. In terms of cattle type (sex), 48 percent of the cattle slaughtered in Canada were steers, while the percentages for heifers, cows and bulls were 26, 24 and 2 percent, respectively. With its reliance upon the dairy industry for its local source of cattle, over 71 percent of the slaughtered cattle in Quebec were cows. These differences had implications at the processing stage and at the retail counter, as most select retail cuts, e.g. roasts and steaks, were from grade A beef and from steers or heifers. Beef from cows, particularly in the lower grades, i.e. grade D, was typically used for ground beef and further processed products.

This uneven distribution of cattle across Canada had subsequently resulted in the movement of substantial quantities of beef carcasses from meat packing plants in Alberta to the major urban centres in Quebec and Atlantic Canada. To facilitate this movement, Montreal wholesalers performed a vital role in the marketing of western beef to eastern destinations. Acting as intermediaries between the major western based packers and eastern retailers, Montreal wholesalers focused their activities upon the provision of carcass beef, and controlled approximately 30 percent of the beef consumed in Canada (Mackenzie et al., 1976). Given the volumes involved, and the participation of the major packers and supermarket chains, the determination of carcass price in the Montreal market had a

Table 6.3: Cattle and calves slaughtered in Federally inspected establishments, by Province, 1975

Province	Cattle		Calves	
	Number	Percent	Numb.	Percent ¹
Atlantic Provinces	51,130	1.5	6,475	1.0
Quebec	205,224	6.2	402,449	59.0
Ontario	1,018,118	30.5	162,960	23.9
Manitoba	507,750	15.2	43,675	6.4
Saskatchewan	168,359	5.1	4,878	0.7
Alberta	1,352,116	40.5	59,692	8.8
British Columbia	34,990	1.0	1,965	0.3
Canada	3,337,687	100.0	682,094	100.1

¹ Does not total 100 percent due to rounding.

Source: Livestock Market Review (1976)

substantial influence upon the price of beef in other parts of Canada. Unfortunately, their relatively visible role in the marketing system had made the Montreal wholesaler a frequent target for disgruntled western cattle producers (see Mitchell, 1975 and Skogstad, 1987), with allegations of price fixing, organized crime, and other unscrupulous activity periodically being charged against them.

Regional differences in production patterns were also manifested in the trade of live cattle and beef between Canada and the United States. While cattle exports to the U.S. rebounded in 1975, with the removal of most tariff barriers and quota restrictions, the 'traditional' trading patterns were essentially re-established by the time the report was published. On a broad regional basis, live cattle exported to the United States were primarily from western sources of production, rather than from their eastern counterparts. In 1975, of the 152,421 live cattle exported to the U.S. from Canada, slaughter cattle from western sources of production represented approximately 63 percent of these exports (table

6.4). Conversely, meat packing and processing plants tended to import a slightly lower total number of cattle and calves from the U.S., destined primarily for plants operating in Ontario (table 6.5). From these regional patterns of trade, it is evident that western producers were more integrated with their U.S. neighbours, than cattle producers in central or eastern Canada. However, the trading statistics suggests that Ontario meat packers and processors tended to rely upon U.S. sources of cattle and calves, to supplement the throughput of Canadian animals to slaughter.

While Canada has traditionally been reliant upon its U.S. neighbour as an outlet for western cattle, most of the trade in dressed beef has been on a global basis. Historically, Canadian imports of dressed beef and veal have been generally larger than its exports. In 1974 and 1975, for example, Canadian imports of dressed beef and veal were approximately 4 times the amount destined for export, with most of the trade involving the movement of beef, rather than veal (table 6.6). Further, whereas the U.S. is the principal market for Canadian exports, imported beef is overwhelmingly from non-U.S. sources of

Table 6.4: Canadian cattle exports to the United States,
by region, 1974 and 1975

	1974			1975		
	West	East	Total	West	East	Total
Slaughter Cattle	2,721	5,446	8,167	95,337	16,726	112,063
Feeder Cattle	8,510	1,599	10,109	27,602	1,160	28,762
Cattle for Breeding	9,703	13,565	23,268	7,111	4,485	11,596
Total	20,934	20,610	41,544	130,050	22,371	152,421

Source: derived from Livestock Market Review (1976).

Table 6.5: Canadian cattle imports from United States for slaughter,
by province, 1975

Province	Cattle	Calves
British Columbia	462	-
Alberta	2,573	-
Saskatchewan	100	-
Manitoba	6,462	-
Ontario	32,298	50,390
Quebec	-	279
Atlantic Provinces	-	-
Total	41,895	50,669

Source: Livestock Market Review (1976)

Table 6.6: Dressed beef and veal (in lbs), exports and imports,
for Canada, 1974 and 1975

	Beef	Imports Veal	Total	Beef	Exports Veal	Total
<u>1974</u>						
U.S.	18,623,011	360	18,623,371	35,483,681	182,979	35,666,660
Other	116,488,479	3,661,701	120,150,180	4,453,327	533,239	4,986,566
Total	135,111,490	3,662,061	138,773,551	39,937,008	716,218	40,653,226
<u>1975</u>						
U.S.	10,943,825	157,700	11,101,525	23,042,470	83,305	23,125,775
Other	125,768,590	2,960,037	128,728,627	10,736,955	100,978	10,837,933
Total	136,712,415	3,117,737	139,830,152	33,779,425	184,283	33,963,708

Source: derived from Livestock Market Review (1976)

supply, notably Australia and New Zealand. With regards to both imports and exports, most of the meat is in the form of boneless beef (e.g. approximately 80 percent of the imported beef is of the boneless variety), representing a cheap source of hamburger for the retail counter or the Hotel, Restaurant and Institutional trade.

Integration between cattle producers and the meat packing and processing sector has also been regionally differentiated, in part due to the diverse types of beef raising operations in Canada. Before discussing the regional differences in vertical integration, however, it is important to differentiate between the 3 types of beef raising operations in Canada, since each type of activity has unique land and capital requirements. Basically, the 3 types are:

1. feeder cattle being raised or fattened on unimproved pasture, located in the ranch areas of interior British Columbia, the foothills of the Rockies in Alberta and British Columbia, and in southern Saskatchewan;
2. cattle being fattened in beef feedlots, located in Alberta and the southern Ontario corn belt; and
3. cow-calf operations, located in eastern Canada, including southern Ontario (Troughton, 1982).

Traditionally, cow-calf operations have had relatively large land requirements, and have generally been self sufficient in feed grains. Conversely, feedlot operations have had cattle fed on grain rations in enclosed areas, and have typically been located near urban markets to ensure the regular delivery to packing plants, either directly or through country auctions and terminal stockyards. On a broader regional basis, western beef have traditionally been used to convert prairie grains into animal protein, whereas Ontario cattle have typically been fed on locally grown corn.

These differences in land and capital requirements were manifested in the marketing relationship between producers and the agribusiness sector. Although vertical integration via corporate ownership of production was limited in the Canadian cattle industry (OMAF, 1972; Alberta Land Use Forum, 1974), production contracts between

large scale producers (primarily feedlots) and major meat packers were extensive. Contracts, or sales direct to packers, had been increasing since the late 1960s, while sales at terminal markets and local auctions had been steadily declining. In 1974, it was estimated that on a national basis cattle producers sold 55 percent of their slaughter animals directly to packers either on a liveweight (via private treaty or sealed bid) or railgrade basis, 30 percent through terminal markets and the remaining 15 percent through country auctions (Mackenzie et al., 1976). Country auctions had actually increased their market share, as most producers of calves and feeder cattle used the auction system to market their animals. On a regional basis, terminals and auctions had retained their role as a marketing vehicle in Ontario, whereas a majority of Albertan cattle producers marketed slaughter cattle directly to packers. In some regional markets of Alberta, between 55 and 80 percent of the slaughter cattle were being marketed directly to packers (C.I.M.B.V., 1975; Brief number 111).

In terms of the meat packing and processing sector, the industry has long been dominated by a few major packing companies (see Mitchell, 1975; and Warnock, 1978), and plagued by considerable labour unrest (e.g. see MacDowell, 1971). However, by 1975 the total number of plants in Canada had actually increased since 1961, while the number of workers had experienced a corresponding increase (table 6.7). In part, due to the aggregation of all slaughtering and meat processing plants by Statistics Canada (e.g. beef, pork, sheep and lamb are all aggregated in the Annual Census of Manufacturers), the number of plants increased from 344 in 1961 to 477 by 1975. In contrast with the dairy processing industry, which has undergone considerable contraction in most developed countries, the global meat packing and processing industry has generally expanded since the early 1960s (Howe, 1983), or has contracted more slowly than other food industries (Simpson and Farris, 1982). In this context, the slow growth in the Canadian meat slaughtering and processing industry may simply reflect broader global trends, perhaps

facilitated by the growing domestic consumption of beef and/or by the relative ease of entry into the beef slaughtering industry (Warnock, 1978).

Table 6.7: Number of slaughtering and meat processing plants and number of production and related workers, Canada, for selected years

Year	Number of Establishments	Number of Workers
1961	344	21,257
1965	399	21,776
1966	431	21,833
1967	442	22,763
1968	433	22,294
1969	448	21,423
1970	453	22,182
1971	460	23,036
1972	468	23,093
1973	473	22,714
1974	487	24,097
1975	477	24,621

Source: Annual Census of Manufacturers, 1976 and 1977

On a regional basis, the distribution of plants in 1975 illustrates an uneven pattern across Canada, if not a concentration of slaughtering and processing activity in Ontario, Quebec and Alberta (table 6.8). Using the value of shipments of goods of own manufacture as a surrogate measure of output, meat packing and processing companies in these three provinces manufactured almost 80 percent of Canadian beef and pork production. It should be noted that most beef is actually produced in Ontario and Alberta, since in Quebec's case many plants are oriented towards the hog industry, and in particular the further processing of pork products.

Table 6.8: Number of slaughtering and meat processing plants,
and selected statistics, by Province, 1975

Province	Number of establishments	Number of workers	Average number of workers/plant	Value ¹ \$ (000s)
Newfoundland	2	x	N/A	x
P.E.I.	4	x	N/A	x
Nova Scotia	8	x	N/A	x
New Brunswick	9	456	50.6	45,141
Quebec	122	5,164	42.3	751,861
Ontario	175	8,970	51.3	1,359,293
Manitoba	31	2,501	80.6	371,905
Saskatchewan	27	1,199	44.4	165,759
Alberta	57	4,428	77.7	927,153
British Columbia	42	1,514	36.0	163,471
Canada	477	24,621	51.6	3,828,825

¹ shipments of goods of own manufacture

N/A: not available

x: not collected by the census

Source: Annual Census of Manufactures, 1977

Despite the large number of establishments in Canada, the industry has been historically dominated by a few major meat packing companies (Warnock, 1978). In the mid 1970s, Canadian meat packers could be divided into two groups: the major packers and the independents. The major packers (Canada Packers Ltd., Burns Meats Ltd., Swift Canadian Co. Ltd., and Intercontinental Packers Ltd.) were large multi-plant firms that were vertically integrated into processed meat products, and in some cases many other food and non-food items. Statistics on oligopoly control indicate that the degree of concentration had declined since the 1930s, although oligopoly in some regional markets continued to exist. It was estimated that during the depression, the top 3 slaughtering and meat packing companies controlled over 85 percent of all sales in Canada (Finkel, 1979), yet by 1971 the

top 5 firms (including J. M. Schneider) controlled 'only' 60 percent of the national market (Mitchell, 1975). In dollar terms, the top 5 companies had combined sales of over \$1.6 billion, in 1971 (table 6.9). On a regional basis, however, the 4 largest enterprises controlled almost 85 percent of the provincial market in Alberta (Alberta Land Use Forum, 1974), 78 percent of the Manitoba market, and over 92 percent of Saskatchewan's kill (Mackenzie et al., 1976). Even in Ontario, between 1971-75, they had increased their share of the market from 57 to 67.7 percent. Overall, there is little doubt that the major packers had dominated, if not dictated, the functioning of the beef industry in Canada.

Table 6.9: Major slaughtering and meat processors, by 1971 sales

Company	1971 Sales	Ownership/Control
Canada Packers	\$937,720,000	Canada--W. F. McLean
Burns Foods	359,300,748	Canada--R. H. Webster
Swift Canadian	280,440,639	U.S.--Esmark Inc.
Intercontinental Packers	95,720,000	Canada--Mendel Family/ Saskatchewan Govt.
J. M. Schneider	84,163,000	Canada--Schneider Family
Essex Packers	33,619,730	Canada--Hamilton Group
Legrande Meats	30,000,000	Canada--Co-op Federee de Quebec
F. G. Bradley Co.	21,000,000	Canada--Bradley Family

Source: Warnock (1978)

In terms of retail distribution, almost 70 percent of the beef consumed in Canada in 1975 was purchased at the retail counter, while the remainder was sold through the hotel-restaurant-institutional trade (Mackenzie et al., 1976). Retail outlets can be grouped into three distinct organizational categories, specifically corporate-owned chains, voluntary chains, and individual independent outlets. Overall, the supermarket chains were the major players in retail sales, but tended to dominate specific regional markets, rather than on a national basis. Retail outlets typically purchased beef in carcass form, and butchered the

meat on their own premises into the appropriate cuts for consumer purchase. However, by 1975, some of the major supermarket chains had begun to vertically integrate backwards into the processing stage of the production process via their own boxed beef cutting operations. While most packers were reluctant to embrace new centralized cutting techniques, boxed beef was just beginning to take a dominant share of receipts and displacing labour in the retail sector.

The hotel, restaurant and institutional trade tended to demand two types of beef, reflecting the extremes in the restaurant industry: specialty cuts for up-scale cuisine and boneless beef for the fast food industry. In the former case, there was a general consensus that the Canadian beef livestock industry was incapable of supplying a steady and reliable flow of product. This prompted a strong reliance upon the U.S. market as the primary source for the specialty cuts. The fast food industry tended to draw upon cheaper imports of boneless beef.

6.2: The Beef Crisis of the early 1970s

In the early 1970s, the beef livestock industry in Canada was apparently in a relatively healthy position. In response to the recommendations of the Report of the Federal Task Force on Agriculture (1969), the Federal Government pursued a policy which encouraged farmers to convert production from grains to beef livestock; consequently, the productive capacity of Canadian beef herds increased by 40 percent between 1969 - 1974. In a broader context, the early 1970s was a period in which many other countries were also trying to solve the problem of marketing surplus grain. Consequently, during this period there was a general build up of cattle numbers not only in Canada, but also on a global basis.

The Canadian beef livestock industry seemed poised for continued expansion, but by 1973 the industry was in a severe state of turmoil. Emerging out of the global grain

crisis of the early 1970s, the much publicized 'beef crisis' essentially involved a severe cost-price squeeze for beef livestock producers. World grain shortages in the fall of 1972 forced up commodity prices on all grains, including those used for livestock feeding. Within a 2 year period beef livestock producers, particularly feedlot operators, had to contend with a 100-150% price increase for commercial feed, compared with a moderate 30% increase in the selling price for cattle (Mitchell, 1975). Feedlot operators, who were locked into raising expensive calves due to high feedgrain prices, encountered their most serious cash flow situation in a decade (Mackenzie et al., 1976). While many feedlot operators faced bankruptcy, they generally responded to the crisis by bidding less for their replacement cattle, thereby transferring the burden of the crisis to the cow/calf operators, who now found that the demand for and value of their herds were undertaking a dramatic decline. Consequently, in 1974, cow/calf producers, and veal producers (particularly in Ontario and Quebec), soon found themselves in their own serious cost-price squeeze.

Complicating the Canadian situation were similar problems in the United States which combined with President Nixon's stringent controls on the imports of live cattle, to create a temporary reversal of the traditional flow of Canadian feeder cattle in exchange for American finished beef. The higher prices that were bid by feedlot operators for feeder cattle raised by cow-calf producers, and the reversal in the 'free trade' movement of livestock and livestock products across the border, contributed to the crisis experienced by the beef livestock industry in Canada and amplified the problems inherent to an open continental market (Mitchell, 1975).

Although the Federal Government responded by attempting to stabilize the industry through various questionable and contradictory policies (see table 6.10), beef livestock producers, and particularly cow-calf operators, continued to be in a state of crisis. By the fall of 1974, farmers responded to the crisis by 'voicing' their concerns through the media and an organized march upon Parliament Hill in Ottawa (Mitchell, 1975). Eventually, 'public' mass slaughtering of calves by Quebec farmers prompted an emergency

Table 6.10: A summary of government intervention during the beef crisis, 1973-19741973

January	Formation of Special Commons Committee on Trends in Food Prices
Feb. 19th	Removal of Import tariffs on live cattle (1 1/2 ¢/lb.) and beef (3¢/lb.)
Mar. 26th - 31st	Consumer boycotts in Canada and the U.S. against high meat prices
April 1st	American Price Control Program on beef, pork and lamb
April 27th	Formation of Food Prices Review Board
July 18th	Price ceilings removed from American hogs
Aug. 13th.	Canadian export controls instituted on grade A and B dressed beef
Sept. 9th	American price ceiling removed from beef
Sept. 21st	Import tariff restored on live cattle and dressed beef
Nov. 2nd	Temporary import surtax on American beef. 3¢ per pound live basis, 6¢ per pound on dressed beef

1974

Jan. 13th	Import surtax on live cattle reduced to 2¢ per pound and 4¢ on fresh and frozen beef
Jan. 27th	Surtax reduced to 1¢ and 2\$ per pound on cattle and carcasses
Feb. 10th	Elimination of surtax - effective tariff back at 1 1/2¢ and 3¢
Mar. 18th	Canada introduces beef quality premium program of 7¢ per lb. live for Grade A Canada produced beef
April 1st	Quality beef program amended to 5¢ per cwt. on Canada A, B, and C grades
Apr. 9th	Canada announces "D.E.S. free" import certification program for live cattle and sheep, and their products
Apr. 29th	Beef quality premium reduced to 3¢ a pound
June 4th - July 18th	Major packing plants in Alberta closed due to labour contract dispute
Aug. 12th	- New beef stabilization plan introduced providing price support of \$45.42 per cwt. for all cattle grading A, B and C - Canada and U.S. agree on DES certification program - Canada establishes global import quota of 82,835 cattle for slaughter and 125.8 million lbs. of beef and veal - Beef quality premium phased out by 1¢ per week on August 12th and 19th. Premium is terminated on Aug. 25th
Nov. 16th	- U.S. imposes import quotas on Canadian cattle (17,000 head), hogs (50,000 head), beef and veal (17 million lbs.) and pork (36 million lbs.), for the year Aug. 12th, 1974 - Aug. 11th, 1975. - Canada introduces a Cow Beef Stabilization program, with a price support of \$23.21 per cwt.
Dec. 13th	Canada announces a 4 point program to support slaughter cow prices, a cow-beef canning program, a ground beef promotion effort, and an assurance that the price support program on top grades will continue past Aug. 11th, 1975

Source: Livestock Market Review, 1973-1974; see also C.I.M.B.V., 1975; Briefs number 51 and 53.

parliamentary debate. The existing beef marketing system immediately came under considerable scrutiny from producers, consumers, and politicians, and a Federal Commission of Inquiry was appointed on the 6th of January, 1975, to investigate the problems and recommend solutions to ameliorate the crisis.

Under the terms of reference (P. C. 1975-1), the Commission, which was composed of 3 members: Maxwell Weir Mackenzie, Lydia Patry-Cullen and Hu Harries, had the authority to hold a public inquiry covering all beef and veal marketed in Canada, specifically:

- a) to examine the organization and methods of operation of the marketing system for all grades of beef and veal including live cattle, calves and carcass beef and veal sold within Canada whether imported or domestically produced taking into account:
 - (i) each step in the distribution and processing system; and
 - (ii) any geographical differences in the marketing system;
- b) to examine the price setting mechanisms for all beef and veal sold in Canada, including the nature and extent of the price spreads which exist among the various elements of the marketing system;
- c) to examine the number of intermediaries in the system and the nature of the services they render;
- d) to report on the overall effectiveness of the marketing system including both the reasonableness of the costs incurred and of the price spreads which occur at each level and over the entire system; and
- e) to submit to the government as soon as possible such recommendations as it may deem fit for improving the marketing of beef and veal in Canada (Mackenzie et al., 1976).

The procedures adopted by the Commission involved undertaking a series of public hearings held in each province of Canada, and a research program that involved 6 different studies of 14 different aspects of the marketing system.

Despite the broad scope of the terms of reference, however, there is some question as to the overall intent and openness of the inquiry. First, unlike its dairy counterpart, there are no specific references to the production segment of the beef industry. Although concerns about production patterns were presented in the briefs and discussed during the

hearings, they tended to be addressed only as tangential to the marketing system. This absence is even more peculiar, given the operational and structural aspects of 'supply management' and its potential impact upon the production sector. Second, the Commission stated during the hearings that they would not deal with the labour strikes that were currently plaguing the meat packing industry. Lastly, while the Commission had the authority to subpoena financial information from the major packers, wholesalers and retailers, under the jurisdiction of Part I of the Inquiries Act, this information was made public only in aggregate form. Information at the individual corporation level of analysis, held in the Public Archives of Canada, is restricted from public access and efforts to obtain access to these 'closed' documents proved unsuccessful.³

There were also other circumstances surrounding the Commission of Inquiry, both positive and negative, that clouded its probable 'success'. In comparison with the Food Prices Review Board (FPRB), which was chaired by Beryl Plumtre, the former president of the Consumer Association of Canada, the Inquiry into the beef livestock industry was the 'brain child' of the Minister of Agriculture, Eugene Whelan. By the time of the Inquiry, Whelan was well known for his pro-marketing board stance. During his post as the Minister of Agriculture, there was a wave of national marketing plans that were introduced into the Canadian agri-food system, specifically in eggs and poultry. In terms of the beef livestock industry, a beef marketing plan was arguably a major part of Whelan's political agenda throughout his tenure in office (see Wilson, 1990). However, there was growing opposition to national marketing plans, both from within the government and from the consumer oriented FPRB.

³ A letter of request for access was denied by Archival authorities at the Public Archives of Canada, since the Commission of Inquiry had guaranteed the agribusiness companies complete confidentiality concerning financial records, restricting release for research purposes for an unspecified period of time. Since this Commission of Inquiry is not covered by the provisions of the Access to Information and Privacy legislation (29-30-31 Eliz. II, c. 111, 1982), a formal access request could not be filed under this statute. See Appendix III.

In terms of the appointment of specific Commission members to the inquiry, it is difficult to ascertain without personally interviewing the individuals involved, the reasons which dictated their selection to the committee. What is known, however, is that Commissioner Hu Harries was a former director of Steinberg's, one of the largest supermarket chains in Quebec and Ontario, and his appointment prompted the National Farmers Union (NFU) to openly question the impartiality of the Commission (Mitchell, 1975). From a review of the transcripts, Chairman Maxwell W. Mackenzie is on record during the hearings as being against marketing boards, based upon his involvement with the food prices board during World War II (C.L.M.B.V., 1975; Transcripts, Volume 12, p. 1031). As for Commissioner Lydia Patry-Cullen, her participation on the Commission was frequently questioned by the media, while her role during the hearings, as documented in the actual transcripts, was that of a token female representative (i.e. the traditional housewife). Generally, then, the appointed Commission seemed to have a collective background that was contrary to the prevailing view of the Minister of Agriculture, and was potentially initially biased against any producer proposals that would include supply management.

6.3. The Commission of Inquiry into the Marketing of Beef and Veal

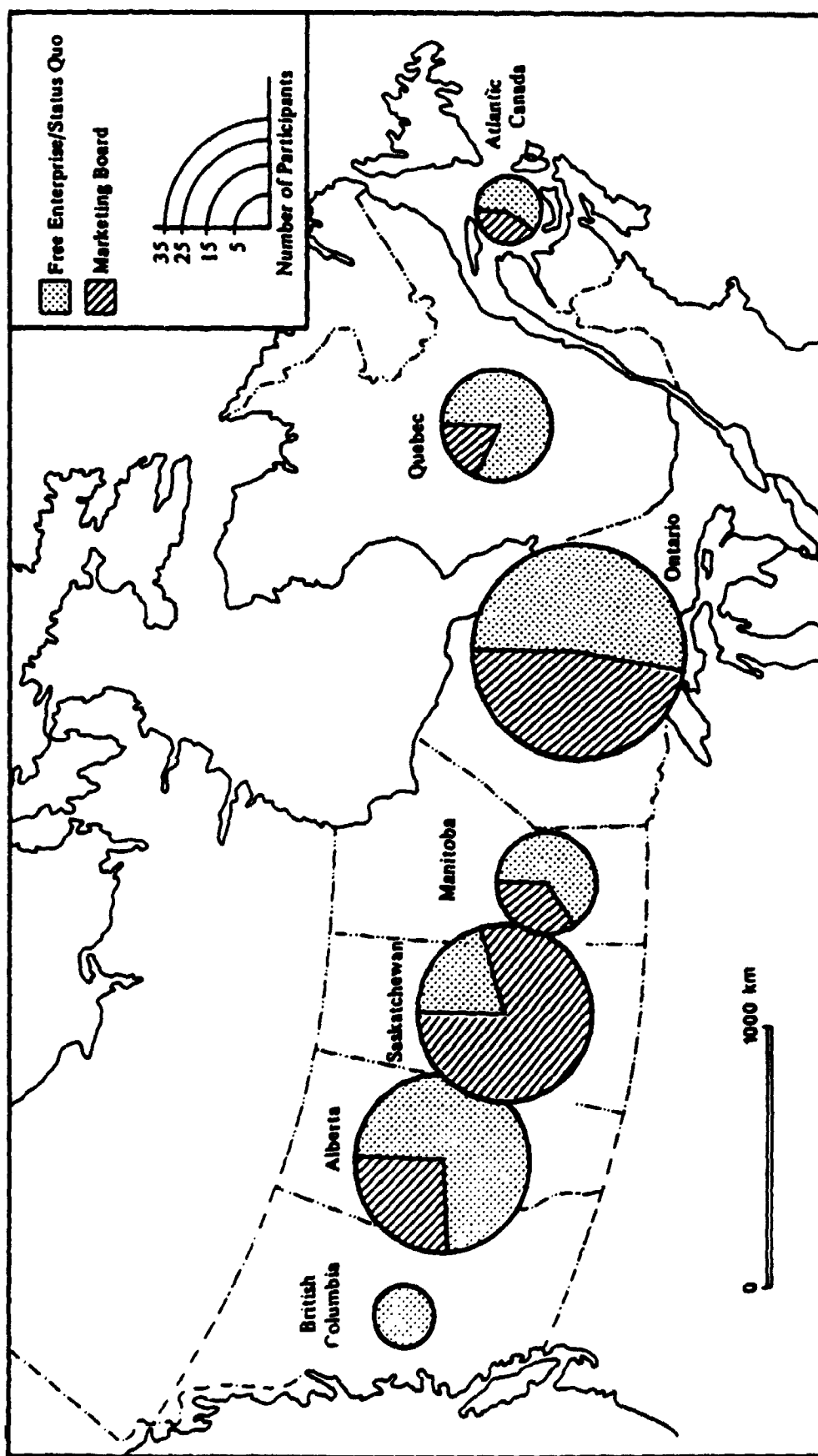
The hearings for the Inquiry into the marketing of beef and veal began on March 24th, 1975, in Toronto, Ontario, and after visiting every province in Canada, they ended on June 28th, in Ottawa (see table 6.11 and figure 6.2). During these 3 months, in which 36 days were actually devoted to hearings, the Commission received 113 written submissions and 296 verbal presentations. A majority of the briefs were submitted from producer organizations, including farm agribusiness and individual producers, although all segments of the industry were represented: agribusiness corporations (consisting of meat packers, wholesalers, and retail chains), marketing agencies, consumer groups,

Table 6.11: Location and dates of the hearings for the Inquiry into the Marketing of Beef and Veal

Toronto, Ontario	March 24th	Edmonton, Alberta	May 13th
Toronto, Ontario	March 25th	St. Paul, Alberta	May 13th
Calgary, Alberta	April 1st	Lloydminster, Sask.	May 14th
Calgary, Alberta	April 2nd	Stettler, Alberta	May 15th
Québec City, Québec	April 14th	Innisfail, Alberta	May 16th
Chicoutimi, Québec	April 15th	Calgary, Alberta	May 26th
Montreal, Québec	April 16th	Calgary, Alberta	May 26th
Montreal, Québec	April 17th	Lethbridge, Alberta	May 28th
Montreal, Québec	April 18th	Medicine Hat, Alberta	May 29th
St. John's, Newfoundland	April 22nd	Swift Current, Sask.	May 30th
Halifax, Nova Scotia	April 23rd	Saskatoon, Sask.	June 2nd
Charlottetown, P.E.I.	April 24th	Regina, Saskatchewan	June 3rd
Moncton, New Brunswick	April 24th	Brandon, Manitoba	June 4th
Montreal, Québec	April 25th	Winnipeg, Manitoba	June 5th
Vancouver, British Columbia	May 5th	Toronto, Ontario	June 16th
Vancouver, British Columbia	May 6th	Toronto, Ontario	June 17th
Kamloops, British Columbia	May 7th	London, Ontario	June 18th
Kamloops, British Columbia	May 8th	Ottawa, Ontario	June 26th
Edmonton, Alberta	May 12th	Ottawa, Ontario	June 28th

Source: Mackenzie et al., 1976

Figure 6.4: Provincial distribution of participants by recommendations



transportation organizations, organized labour, and even academic-government 'experts' (table 6.12). On a regional basis, most of the briefs were presented in the principal cattle producing provinces of Ontario and Alberta, while only a few briefs were submitted from the more peripheral areas of production, e.g. Atlantic Canada and British Columbia (figure 6.3).

While hearings were held across the country, and all segments of the beef industry submitted briefs to the commission of inquiry, it is important to note that the hearings themselves were organized with an elite bias. As with the dairy industry, the Commission began the hearings by meeting with the major producer organizations and agribusiness companies, although in this case these initial meetings were of public record. In the 4 meetings held in Toronto and Calgary, the major packing companies (Canada Packers, Burns Meat Ltd., and Swift Canadian), the major retailers (Loblaws, Dominion Stores Ltd., and Canada Safeway), and the major conservative farm organizations (Canadian Cattlemen's Association and the Western Stockgrowers Association) were all asked to attend. Noticeably absent were representatives from the National Farmers Union (NFU), the Canadian Federation of Agriculture (or provincial affiliates), and the Consumer Association of Canada (or provincial affiliates). These initial hearings suggest that from the outset, while the Commission may, or may not, have consciously excluded radical producer input or the consumer voice, they were clearly biased towards the interests of elite participants (farm organizations and large corporations) with a 'conservative' or 'business' mentality. At the very least, it is likely that these initial hearings had some undetermined impact upon the Commission's perception of the crisis.

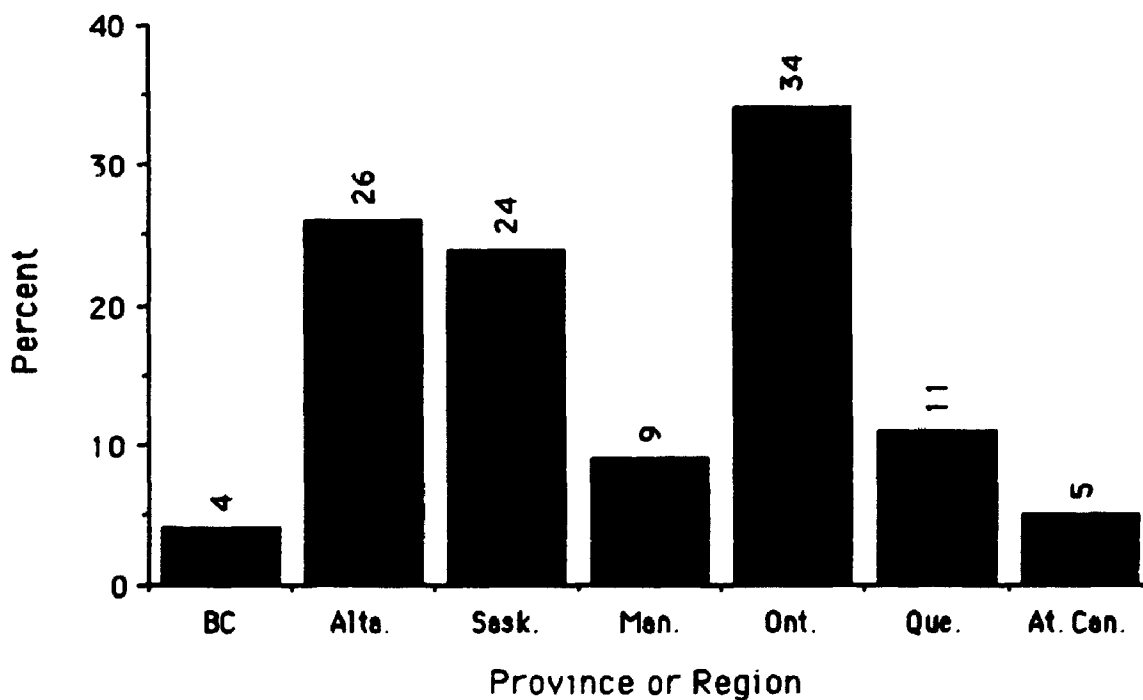
Throughout the hearings the Commission also made frequent invitations to specific groups to return to the final public sessions in Ottawa. Commissioner Harries suggested that the NFU be invited to readdress the Commission and have the opportunity to directly

**Table 6.12: Composition of participants submitting briefs,
by organizational type**

Organizational type	total
Producer	77
Farm Organizations	(62)
Farm Agribusiness	(7)
Individual Farmers	(8)
Agribusiness	23
Marketing Agencies	5
Consumer	3
Transportation	2
Experts	2
<u>Organized Labour</u>	<u>1</u>
Totals	113

Source: compiled from all submitted briefs, C.I.M.B.V., 1975.

**Figure 6.3: Distribution of submitted briefs,
by Province or Region**



Source: compiled from all submitted briefs, C.I.M.B.V., 1975

question agribusiness representatives; however, this idea was quickly ruled inappropriate by the Chairman. By the last public hearing, the CCA was the only major farm organization to submit an additional brief, while none of the agribusiness participants who had previously presented briefs, chose to publicly readdress the Commission. Although the Commission left open the possibility of having additional public hearings after reviewing over 4,000 pages of testimony and studying the results of their 6 research reports, no further hearings were held.

6.4: A qualitative content analysis of the Commission of Inquiry into the Marketing of Beef and Veal

Following the qualitative and quantitative techniques outlined in Chapter 4, and applied in the previous chapter to the briefs presented to the milk inquiry, in this section the discussion will focus upon a content analysis of the 113 briefs submitted to the Commission of Inquiry into the Marketing of Beef and Veal. All briefs were subject to a qualitative content analysis, whose results are summarized in the accompanying tables and provided in their entirety in the Appendices (Appendix II). A quantitative content analysis was applied to a select sample of elite briefs, representative of the major producer and agribusiness participants. This portion of the analysis was supplemented by reviewing discussions between these groups and the Committee, as documented in over 4,000 pages of transcripts. The objective of these two analyses is to uncover the divergent perceptions and positions of the various competing groups within the beef industry, towards specific thematic categories that reflect a plethora of issues that defined the beef crisis of the mid 1970s.

Following again the research by Garner and Richardson (1979) and particularly Guither (1980), the various participants are organized into 7 specific groups (table 6.13), with the producer participants further organized according to their ideology (either pro marketing board or pro free enterprise), or their farm structure (either as an individual

farmer or as a farm agribusiness). In the latter cases, such differentiations had to be made after an initial analysis of the briefs.⁴ The actual content analysis is structured into 3 major sections. The first section aggregates the participants according to the major groupings, identifies the location of the presentations, and categorizes the participants initial perception of the beef crisis. The second section, which is the most substantial part of the analysis, examines 6 major thematic areas that characterized the participant's perceptions of the beef crisis. In the last section, the 'heart' of the analysis, classifies the major groups according to their solutions and recommendations, essentially differentiating participants between those demanding the maintenance of the status quo, verses those demanding increased state intervention.

Table 6.13: List of major groupings for participants

1. Agrarian totals
 - A. Farm organizations (pro marketing board)
 - B. Farm organizations (pro free enterprise)
 - C. Individual farmers
 - D. Farm agribusiness
2. Agribusiness companies
3. Marketing agencies
4. Transportation
5. Consumer organizations
6. Organized labour
7. Experts

⁴ Farm agribusiness is differentiated from the individual farmer on the basis of the background description provided in the brief. In this case, large scale specialized farm operations were classified as farm agribusiness, even though the producer may not have been vertically integrated beyond contract production.

6.4.1. Background information and the perception of the beef crisis:

The perceptions of the crisis in the beef industry during the early 1970s were unique, such that the various segments of the production process encountered their own special problems at different periods of time. Consequently, by the time of the hearings, not all participants actually recognized that a 'crisis' in the beef industry continued to exist; if indeed there ever was a crisis (table 6.14). From the producer's perspective, almost 80 percent of their briefs make some reference to the industry being in some state of crisis, particularly as a crisis for producers. However, the scope of the crisis, its manifestations, and the major causes were all quite variable amongst the producer submissions. At one extreme, for example, the Canadian Cattlemen's Association (CCA) and its affiliate organizations⁵ suggested that the beef crisis was merely a temporary problem. In this case, the predictable surplus production and low prices that are associated with the beef cycle, were compounded by high inflation and inappropriate government policy. At the other extreme, the National Farmers Union (NFU) perceived the crisis as something more than simply a cost-price squeeze, and were also concerned about the exploitation of family labour, the loss of agricultural land within the rural-urban fringe, and the subsidization of urban industrial workers. From their perspective, the beef crisis was becoming a chronic problem that was detrimental to the viability of the family farm:

To put it bluntly, the beef industry is in the most serious trouble that it has ever witnessed, and hundreds of farm families face an uncertain future (C.I.M.B.V., 1975; Brief number 34, p. 3).

A small number of producers also expressed concern towards the inquiry itself. First, an individual producer argued that solutions to the beef crisis could only be found if the Commission fully understood the intricacies of the industry (C.I.M.B.V., 1975; Brief

⁵ The agrarian organizations that either stated their affiliation with the CCA or were advocates of the CCA proposal were: the British Columbia Cattlemen's Association, the British Columbia Livestock Producer's Co-operative Association, the Saskatchewan Stock Grower's Association, the Manitoba Beef Grower's Association, and the Ontario Beef Improvement Association.

Table 6.14: Background Information

Groups	1	A	B	C	D	2	3	4	5	6	7	TOTALS
1. Category/Number of Participants	77	47	15	8	7	23	5	2	3	1	2	113
2. LOCATION OF PRESENTATION												
i. British Columbia	2	0	2	0	0	2	0	0	0	0	0	4
ii. Alberta	21	7	3	5	6	2	1	0	0	0	1	26
iii. Saskatchewan	20	18	2	0	0	1	1	0	0	1	1	24
iv. Manitoba	9	2	4	2	1	0	0	0	0	0	0	9
v. Ontario	19	16	2	1	0	9	3	0	2	0	0	34
vi. Quebec	3	2	1	0	0	7	0	0	1	0	0	11
vii. Atlantic Canada	3	2	1	0	0	2	0	0	0	0	0	5
3. THE BEEF CRISIS												
A. Recognition of Crisis	61	46	9	4	2	5	2	0	3	1	0	72
B. Does not acknowledge a Beef Crisis	16	1	6	4	5	18	3	2	0	0	2	41
C. Description: their role in the system	7	2	3	1	1	14	2	1	0	0	0	24

number 39). According to the NFU, this meant that the Inquiry's focus should be broadened to include information gathering on all classes of livestock: cattle, hogs and poultry, due to their interrelationships (C.I.M.B.V., 1975; Brief number 72); even then, they wondered if the Commission could find the answers. Second, finding solutions to the crisis would also involve asking the 'right' questions, as the NFU called upon the Commission to thoroughly question the accepted myths and report the hidden truths of the beef livestock industry, in order to achieve social justice (C.I.M.B.V., 1975; Brief number 76A). Lastly, one producer openly questioned whether the Commission would be apolitical and truly represent producer interests from all provinces (C.I.M.B.V., 1975; Brief number 83).

In contrast with the NFU perception of the crisis and the Commission, the agribusiness firms engaged in retailing, and particularly the slaughtering and packing industry, tended to view the situation as temporary, while supporting the efforts of the Inquiry. Most agribusiness briefs tended to praise the strengths of the marketing system, or at least devoted a substantial portion of their written and verbal submissions describing the

systems complexity, without making reference to any severe problems. Of the 23 briefs submitted from agribusiness firms, 78 percent did not recognize a crisis, while those who did, tended to join the 'pro-free enterprise' producer position and blame government intervention as distorting the normal functioning of the marketplace. The submission by Loblaws Groceries Ltd. is indicative of the 'non-crisis' perspective from the agribusiness sector, and specifically reflects the 'defensive' position taken by most of the major retailers:

I do believe the beef industry has been hurt by the media, government investigations, cattlemen saying the retailer is making too much, and the retailer being unable to get his side of the story across. If we would all just talk about the merits of beef - the good healthy Canadians its helped to raise, how delicious a good steak or fine roast can be, or a tasty hamburger. These items have given all of us a great deal of pleasure in the past, and we hope in the future (C.I.M.B.V., 1975; Brief number 4, p. 13).

6.4.2 Analysis of the crisis:

The perceptions of the problems afflicting the beef livestock industry can be classified into 6 general categories:⁶ (i) the "cost-price squeeze", typically involving high input costs and low output prices; (ii) the "production and marketing system", reflecting the continental (if not global) nature of the industry; (iii) the "methods of exchange", which includes the problems associated with the options available to producers to market their cattle; (iv) "government policy", such as price supports, tariffs and the Crow rates; (v) "attitudes and values", which reflect the perceptions of the participants towards specific components of the beef livestock industry; and (vi) "processing technology", specifically the trend towards the centralized cutting of beef. Generally, participants were quite willing to express an opinion towards some facet of the industry, e.g. the family farm, marketing boards, and vertical integration by agribusiness, or towards an organization or segment of the production process. The most frequently cited problems in the written briefs submitted to the Inquiry involved those associated with the "cost-price squeeze", while few

⁶ Each category will hereupon be identified by a "quotation".

participants were concerned with advances in processing technology. The other 3 general categories were, by coincidence, cited equally by the participants; in each case referred to in 69 percent of the briefs (78 of 113 briefs).

6.4.3 The cost-price squeeze:

The "cost-price squeeze" was the most frequently cited crisis issue, with over 83 percent of the participants referring to this problem, including 84 percent of all producers (table 6.15). The problem of increasing costs of production (due to high costs of inputs) and low prices for cattle and calves were threatening the livelihood of many farms. The occurrence and frequency of these references basically reflected the prevailing interpretations of the crisis by the media and government officials, particularly the televised slaughter of calves by Quebec farmers. However, not all producers equally recognized a "cost-price squeeze" problem. Farm organizations that were in favour of a marketing board (e.g. the NFU) were more likely to acknowledge a problem with low prices or high input costs, in comparison with organizations and farm agribusinesses that were in favour of maintaining free enterprise (e.g. the CCA).

Table 6.15: The cost-price squeeze

Category/Groups	1	A	B	C	D	2	3	4	5	6	7	TOTALS
I. COST-PRICE SQUEEZE	65	42	10	8	5	20	3	1	3	1	1	94
A. Price	54	40	6	6	2	7	1	0	1	1	1	65
B. Inputs and other costs	53	38	7	4	4	17	1	1	2	1	1	76
C. Low profits/constrained capital.	0	0	0	0	0	4	0	0	0	0	0	4
D. Retail Market	30	17	7	4	2	12	1	1	2	1	0	47
E. (Unfair) Price Differentials	36	22	7	5	2	10	2	0	2	1	0	51

There was also noticeable producer concern towards how other segments of the production process were manipulating the price of cattle and beef. Producers expressed

concern over the retail price ("retail market") of beef in 39 percent of their briefs. A common complaint of the NFU, for example, was that the retail price of beef was slow to adjust to a drop in farmgate prices, but quick to respond to any increase in the price paid to producers. There were also complaints that the differential in price paid for beef according to grade or gender (heifers vs. steers) were not reflected at the retail counter. A variation of this concern was expressed in 47 percent of the producer briefs, also involving complaints over unfair price differentials, but in this case between producers and processors.

The basic argument presented by the processors and retailers, attempted to justify the price of beef beyond the farm gate; essentially taking a defensive posture, while attempting to protect their own interests. This approach took a variety of forms, such as defending the price spread along the production process, or placing blame on their own cost-price squeeze, e.g. high input costs (particularly labour costs) and low prices for beef by-products (at both the processing and retail level). Concerns over price typically placed producers in an adversarial position vis-a-vis agribusiness firms, although in some briefs there was never a clear recognition of which segments of the production process were making unreasonable profits. Processors tended to cite low profit margins (e.g. Burns Meats), while retailers consistently claimed that due to competitive forces, supermarkets (e.g. Steinberg's Ltd.) were selling beef at markups insufficient to cover their handling costs. Supermarket chains (e.g. Oshawa Foods Ltd.) were also prepared to shift blame for higher prices onto the meat packers, claiming that the high retail price of beef was due to the packers who ship inedible parts of the carcass to the retailers, who in turn must pass on these costs to the consumer.

Although some producers (e.g. Union de Producteurs Agricoles) perceived that intermediaries had more than reasonable profit margins, actually identifying specific values beyond the farm gate was a difficult measurement to obtain. No supermarket chain that submitted a brief was able or willing to provide any definitive financial evidence of the specific profitability of beef in relation to their total meat sales (or total food sales). In one

case, a major supermarket chain (Kelly Douglas and Co.) openly refused to produce profit margins, operating costs, or net profit structure to the Commission, unless behind closed doors. Unfortunately, the Report aggregates the financial records of the major supermarket chains, in order to insure confidentiality, with a resulting loss of specific information. The Commission reported that net profit before income taxes (a 5 year average for 1970-75), was less than 1 percent for packers and wholesalers, while retailers experienced a net loss of over 7 percent (Mackenzie et al., 1976). A few agribusiness firms beyond the farm gate were quick to point out, however, that the FPRB had already determined that the profit margins throughout the beef marketing system were fair and generally reflected a competitive situation. This was also a position supported by the CCA and its affiliated members, although they seemed to express more distrust towards price at the retail counter, than at the processing stage of the production process. Furthermore, Dr. C. M. Williams (C.I.M.B.V., 1975; Brief number 58), from the University of Saskatchewan, disputed any claims of improper mark-ups, and suggested that any unfair trading practices or monopoly control of the marketing system would evoke a response from the administrators responsible for the Combines Investigation Act.

6.4.4 The production and marketing system:

References to the "production and marketing system" can be divided into 5 thematic categories: (i) the "North American market"; (ii) the "Global market"; (iii) the "Montreal market" (essentially involving Montreal wholesalers); (iv) problems encountered in peripheral or "hinterland production areas"; and (v) references concerning the "diversity of the production system" (table 6.16). Perhaps indicative of the underlying competitive nature of the beef industry, the responses begin to follow a definite pattern that reflects the formation of alliances between specific competing segments of the production process. The position expressed by the farm organizations (and farm agribusiness) supporting free

enterprise are aligned with the expressed interests of agribusiness, and fundamentally opposed to the views of farm organizations demanding the development of a beef marketing board.

Table 6.16: The production and marketing system:

Category/Groups	1	A	B	C	D	2	3	4	5	6	7	TOTALS
2. PRODUCTION AND MARKETING SYSTEM	57	31	14	5	7	15	2	1	2	0	1	78
A. North American Market	39	22	9	3	5	5	1	1	1	0	0	47
B. Global Market	25	16	4	2	3	8	1	1	2	0	0	37
C. Montreal Market/Wholesalers	25	11	8	3	3	7	1	1	2	0	1	37
D. Hinterland Production Areas	10	6	2	0	2	4	1	0	0	0	0	15
E. Diversity of Production System	3	0	1	1	1	4	0	0	0	0	1	8

Of the 5 major thematic areas of the "production and marketing system" referred to in the briefs, the "North American system" was discussed in 42 percent of the submissions. Historically, the North American system has been an open market, with limited tariffs upon the movement and trade of beef and live cattle between Canada and the United States. Government action, however, on both sides of the border exacerbated a shift in the traditional movement of beef and cattle, ultimately resulting in a cattle surplus in Canada. The producer's position on this problem was polarized between those wanting an end to quotas on both sides of the border (e.g. the CCA), versus those linking the crisis to unfair U.S. competition, and demanding the restriction of continental trade (e.g. the NFU). Securing the U.S. border for either the restoration or total removal of free trade was paramount for the opposing producer organizations. A closed U.S. market would effectively reduce one of the marketing alternatives available to many large scale producers in western Canada, while for others, particularly for small scale producers in eastern Canada, this would maximize the utilization of domestic production. In the former context, an open North American market was particularly important to many western producers in terms of the West's distrust of eastern interests, since an open border with the U.S. was

"the only thing that protects western producers against being squeezed out, by the politically and economically powerful east" (C.I.M.B.V., 1975; Brief number 49).

The movement of beef on a continental and global basis was an issue less frequently cited by producers, but was the most frequently cited production and marketing issue amongst agribusiness interests. One third of the agribusiness submissions made reference to the trading of beef, while representatives from Loblaws, Swift, Dominion, and Bradley all gave verbal support for the elimination of import quotas in Canada and the United States, and the importance of Oceanic beef imports. Although the actual amount of beef imports and exports are small, in comparison to the total sales of beef, representatives from Canada Packers admitted that this beef trade (specifically from the U.S.) was significant in determining Canadian market prices. With respect to global trade, the issue focused upon allowing non-U.S. imports, typically manufactured boneless beef (for hamburger), from Oceanic sources (i.e. Australia and New Zealand). Agribusiness firms in favour of an open market argued that these imports were necessary to ensure a cheap source of manufactured beef for the packing and retail trade, while producers (i.e. the NFU) perceived such imports as unfair competition. This position was particularly cited by producers of lower grade beef, specifically from dairy producers in Ontario and Quebec.

Perhaps the most regionally sensitive issue expressed during the hearings dealt with the role and function of the "Montreal market" and the major wholesalers. Although this issue was raised by only a third of the participants submitting briefs, it was an issue that received special attention by the Commission (e.g. see Appendix I, Mackenzie et al., 1976). Since it was generally accepted that the price for dressed beef was determined in transit from western packers to Montreal brokers and wholesalers, western producers were typically in the position of selling their cattle without a predetermined price, subject to the vagaries of the Montreal market. Western producers tended to seriously question the role of the wholesalers and in some cases even suggested the involvement of organized crime (the Mafia). Generally, their concern towards the Montreal market's influence upon the price-

setting process was consistent, regardless of ideological background. The role of ideology tended to influence only the focus of the concern; such that the NFU suggested a link between organized crime and the major packers, while the free enterprise producer organizations (i.e. C.I.M.B.V., 1975; Brief number 31) tended to absolve the packer from responsibility.

The last two issues pertain to the problems facing cattle farmers in hinterland areas of production and perceptions towards the diversity of the production system. In both cases, they illustrate the structural differences that are inherent to the beef industry. Cattle farmers in hinterland areas (e.g. Atlantic Canada and dairy cow regions) were typically producers of lower grade beef and were finding it increasingly difficult to compete, while agribusiness firms were promoting the benefits of a diverse production system. An illustration of the latter position was clearly presented by representatives from Swift Canadian Co. Ltd. (C.I.M.B.V., 1975; Brief number 5), who espoused the strength of a self regulating system that tended to operate near perfection, despite the irregularities of the market place. They argued, albeit with some exceptions, that the system works well within a global market, permits the movement of slaughter cattle and beef across the Canada-U.S. border, utilizes substantial quantities of lean imported boneless beef for manufacturing purposes to complement the trimmings from Canadian beef, provides an outlet for feeder cattle for finishing in the U.S., and allows cattle to utilize the 50 million acres of grasslands that are not suitable for cultivation or other use. Their perception is significant, since it typifies the general position of agribusiness in regards to the overall production system.

6.4.5 The methods of exchange:

Within the domestic beef industry, themes relating to the "methods of exchange" involved issues concerning the "diversity of the marketing system", the decline of "public

These issues are all inter-related to the diversity of the marketing system, the perceptions of which tend to clearly separate producers and agribusiness in favour of free enterprise, from producers in favour of supply management. Essentially, the producer-agribusiness position commented upon the diversity of the system as maximizing the producers' marketing options, e.g. public auctions, direct sales, and terminal markets, and argued that this diversity should be interpreted as a strength of the marketing system. Contrasting this view were perceptions primarily from the NFU that the diversity in marketing options enabled packers to exploit the marketing system, resulting in producers having little real bargaining power, particularly in areas dominated by direct sales. As one beef producer bemoaned to the Commission, the marketing system could best be described as "dog-eat-dog", and must be replaced if the beef producer is to survive (C.I.M.B.V., 1975; Brief number 99).

Table 6.17: The methods of exchange

Category/Groups	1	A	B	C	D	2	3	4	5	6	7	TOTALS
J. METHODS OF EXCHANGE	60	37	12	5	6	10	5	0	1	0	2	78
A. Diversity of Marketing System	26	17	6	0	3	5	2	0	1	0	1	35
B. Public Auctions	35	26	7	2	0	7	5	0	1	0	1	49
C. Direct Sales	18	10	6	1	1	6	3	0	1	0	1	29
D. Confax System	24	11	7	1	5	1	1	0	0	0	0	26
E. Grading System	28	15	6	3	4	8	1	0	1	0	2	40

The most frequently cited theme involved the shift from public auction markets to direct sales as the dominant method of exchange between producers and packers. The central concern involved how a rise in direct sales was limiting the number of cattle traded through the traditional auction markets, thereby reducing the competitiveness of this method of exchange. On the one hand, the NFU were determined to dispel the myth that auctions were still a competitive means to sell cattle, arguing that direct sales between feedlots and packers enabled the latter to manipulate cattle prices throughout the marketing system. In this context, there seemed to be the recognition that farmers bidding amongst

through the traditional auction markets, thereby reducing the competitiveness of this method of exchange. On the one hand, the NFU were determined to dispel the myth that auctions were still a competitive means to sell cattle, arguing that direct sales between feedlots and packers enabled the latter to manipulate cattle prices throughout the marketing system. In this context, there seemed to be the recognition that farmers bidding amongst themselves (e.g. for feeders and breeding stock) were fairer negotiators than the agribusiness bidders. On the other hand, the pro free enterprise producer lobby tended to support the continuation of auction markets, albeit admitting that direct sales were the preferred method of exchange. Predictably, support for the auction method of sale was also expressed by the 5 representatives from Livestock Markets; if anything in an attempt to protect their self interests, although couched within the importance of a free enterprise system that allows country auctions to service the small cattle producer.

Associated with shifts in the preferred methods of exchange were references to the CANFAX system, a method of information gathering devised by the CCA that involves the distribution of market information, particularly in regards to direct sales. The producer's position towards CANFAX was polarized between those supporting the system, who stressed that current market information was inadequate, and those against the system, who questioned the overall effectiveness of market information in light of the inherent exploitive nature of the marketplace. The underlying issue that was touched upon in the briefs, but further addressed in the hearings, involved the distribution and accessibility to the various methods of exchange and to the CANFAX information system. Unfortunately answers to these questions are not easily documented, particularly from a statistical perspective, but from reviewing the transcripts circumstantial evidence suggests that direct sales and CANFAX were biased in favour of the large scale producers.

Most of the major packers admitted to the Commission that they often purchased direct from producers, although only Burns Meats Ltd. was prepared to release actual percentages of their purchases (C.I.M.B.V., 1975; Brief number 8). More common was

the response by Canada Packers Ltd., who stated that while they continued to buy from all methods available, as public stock yards decline, their direct purchases from feedlots are increasing. There seemed to be a general agreement that small scale producers tended to participate in the auction markets, negotiating sales primarily with small scale packers, while the major packers were more likely to deal direct with large feedlot operators.

Meanwhile, while the CANFAX system should theoretically reduce the inequities in market access between large and small scale producers, by improving the distribution and availability of market information, in reality the system more likely tends to maintain the status quo. First, the pay schedule of CANFAX offered a number of options, although it was generally regarded that full scale members were entitled to daily information, while cow-calf members would receive, for a lesser amount, a weekly report. Second, most feedlot operators belonged to CANFAX, thereby making exploitation by the major packers via direct sales a remote possibility. In the latter context, one has to question the true purpose of the market information system. The CCA provides considerable insight into a probable answer, by suggesting that a principle of CANFAX was to provide increased bargaining power for producers selling direct. This principle deserves careful consideration, given that the distribution of market information involving direct sales would only serve to place feedlots on equal ground with their direct selling counterparts. The impact it would have on reducing agribusiness exploitation or manipulation of the market place in auctions or terminal markets, and subsequently aiding the competitive position of small scale producers, is a significant question that remains unanswered.

6.4.6 Government policy:

Given the propensity of governments on both sides of the Canada-U.S. border to intervene and impose tariffs and quotas, it is not surprising that 69 percent of the briefs made reference to some aspect of "government policy". The major issues related to

specialized beef producers; and (v) the balkanization of the Canadian beef industry, as a consequence of provincial policy regulations (table 6.18).

Table 6.18: Government policy

Category/Groups	1	A	B	C	D	2	3	4	5	6	7	TOTALS
4. GOVERNMENT POLICY	61	37	11	6	7	6	4	2	2	1	1	78
A. Stabilization Plan	32	20	4	4	4	1	1	0	0	1	1	36
B. Management of Quotas/Tariffs	19	6	7	2	4	5	0	0	1	0	0	25
C. Government incentives: grain into beef	35	28	3	3	1	0	2	0	1	0	0	38
D. Transportation and Crow Rates	18	3	5	4	6	2	2	2	1	0	1	26
E. Problems of Province vs. Province	12	4	4	3	1	0	0	0	0	0	0	12

The major pillars of Federal agricultural policy in response to the beef crisis were the proposed amendment of the Agricultural Stabilization Act (Bill C-50), and the legislation of tariffs and quotas. In the former context, Bill C-50, which sought to stabilize prices for slaughter cattle at a value measuring at least 90 percent of the previous 5 year average, was universally perceived by farmers submitting briefs as a compromise solution. On the one hand, the more radical producers complained that the plan provided inadequate protection as it did not reflect the rising costs of production. Since cattle prices had been moving in a downward direction while input costs had risen dramatically, the plan merely stabilized income at a declining rate (e.g. C.I.M.B.V., 1975; Brief number 72). However, these farmers were prepared to accept the plan, if it led to the formation of a beef marketing board. On the other hand, the more conservative producers were generally supportive of the plan, but only as a 'stop-loss' stabilization program that would assist the producer during times of low prices. Most producers that were ideologically supportive of the free market stated emphatically that the plan should not guarantee a profit, and were against stabilization if it led to the formation of a marketing board (e.g. the Western Stock Growers Association).

market stated emphatically that the plan should not guarantee a profit, and were against stabilization if it led to the formation of a marketing board (e.g. the Western Stock Growers Association).

The divergent perceptions expressed by cattle producers towards stabilization was perhaps best illustrated by an incident involving producers, packers and a government subsidy. On March 15th, 1974, the Federal government announced a 7 ¢/lb. subsidy to farmers for Grade A Canada beef, that was paid directly to packers, with the intention of filtering down to the producers. The packers, however, immediately lowered their price by an equivalent amount, much to the consternation of the Minister of Agriculture (see Mitchell, 1975). Significant to the discussion was the response by producers to the packers actions. Producers in favour of free enterprise, and less government intervention into the marketplace, chose to exonerate the packers and cited the actions as being typical of government mismanagement, whereas those in favour of a marketing board cited the actions as typical of agribusiness exploitation and demanded further state intervention.

While it was generally accepted that the government's responses to the crisis on both sides of the Canada-U.S. border were introduced to protect the interests of producers, the major farm organizations held opposite views in terms of reaching a solution. In this context, the perceptions regarding the (mis)management of import quotas also closely followed the polarization trend, dividing producers supporting this method of state intervention from producers arguing that the government's use of quotas distort the marketplace. The agribusiness responses to government tariffs and quotas were generally in support of returning to an open North American market, although it is important to note that during the hearings representatives from Swift, Bradley, Dominion and Loblaws all informed the Commission that this method of state intervention had little effect upon their ability to procure domestic supplies of carcass beef or Oceanic imports of boneless beef.

The impact and role of government incentives was a major theme presented by the NFU, as 76 percent of their references to policy dealt specifically with this issue. Typically

citing the 1969 Federal Task Force on Agriculture, the NFU placed the responsibility of the beef crisis squarely upon the shoulders of the Federal government, who, upon forecasting a global beef shortage in the 1970s, encouraged the diversion of grain surpluses into beef production. The Federal and Provincial policies identified by the NFU included those that (i) encouraged grass-fed cattle production; (ii) provided affordable loans to enable producers to purchase beef stock; (iii) diverted grain production directly into beef production; and (iv) even OMMB regulations that discouraged can shippers from producing milk, and thereby encouraging more beef production. In essence, the NFU was arguing that the Federal government encouraged farmers to increase beef production, and now it was the government's responsibility, through the formation of a marketing board, to provide a solution to the beef crisis. Although other participants made reference to government policies that contributed to the beef crisis, it was only the NFU who emphasized such action and consequently demanded further state intervention.

The last two issues related to government policy were basically producer concerns, involving the long standing debate between east and west in terms of the Crow Rates, and the potential balkanization of stabilization programs. In the former context, the debate has historically placed grain producers in conflict with cattle producers, since the perception has long been that subsidized transportation rates (via rail) for feed grains has benefited grain producers at the expense of cattle producers. In this case, specialized western cattle producers wanted the removal of transportation subsidies and to subsequently return production to areas of comparative advantage, while mixed farmers represented by the NFU were more likely to support continued subsidization. Support for the NFU position came from most Eastern producers (regardless of their ideological perspective), who attempted to refute the western claims of unfair transportation subsidies, by highlighting the importance of home grown corn to Ontario's feedlot industry. In terms of balkanization, concern was expressed about the variable ability amongst provinces to provide adequate

stabilization programs; consequently, producers emphasized the need for a nationally coordinated stabilization program.

6.4.7 Attitudes and values:

While most themes could be clearly categorized as issues pertaining directly to the beef crisis, this section attempts to document the "attitudes and values" expressed by the participants, in terms of perceptions that were tangential to their central concerns. In comparison with the other major categories, the articulation of specific values or opinions were made in 95 of the submitted briefs, a value greater than all other major thematic categories. From a technical viewpoint, the analysis of attitudes and values diverged slightly from the technique of content analysis outlined in Chapter 4, as references to specific organizations or other participants were not necessarily independent or mutually exclusive of those previously documented. As in the dairy content analysis, references catalogued in this section had to be made in the body of the text that was exclusive of any clearly articulated solutions and recommendations.

Essentially, 84 percent of the briefs expressed an opinion in regards to specific attitudes or values, with 85 percent of these briefs commenting upon 1 of 9 "organizations" or groups of participants in the Inquiry. Attitudes and values were also classified according to 4 additional categories, including "personal philosophy", "marketing boards", "concentration of ownership", and the need to "rationalize" (table 6.19). Personal philosophy involved opinions towards the importance of: (i) the family farm, (ii) individual rights and free enterprise, and (iii) beef. In most cases, the expression of personal philosophy was associated with an opinion expressed towards marketing boards. Somewhat unexpectedly, the NFU were the only producer organization to express the need to preserve the family farm. Arguing that the family farm was the most desirable and efficient method of producing food, one NFU submission demanded:

we believe that the family farm must be preserved because the ability to produce food-stuffs in mass quantity is increasingly resulting in the encroachment into the production area by corporate structures possessing market control (C.I.M.B.V., 1975; Brief number 110, p. 3).

Additional support for a marketing board came from dairy producers in Quebec and Ontario, such as one NFU organization which stated that they could see no reason why the similar philosophies of supply management under the authority of the Canadian Dairy Commission could not be applied to meat (C.I.M.B.V., 1975; Brief number 109).

Table 6.19: Attitudes and values

Category/Groups	1	A	B	C	D	2	3	4	5	6	7	TOTALS
S. ATTITUDES AND VALUES	68	41	15	6	6	17	4	1	3	1	1	95
A. Personal Philosophy	24	15	4	1	4	5	1	0	0	0	0	30
B. Marketing Boards	29	14	10	2	3	4	1	0	1	1	0	36
C. Concentration of ownership	23	17	4	2	0	1	0	0	0	1	0	25
D. Organisations/Participants	58	35	12	5	6	14	3	1	3	1	1	81
i. Canadian Cattlemen Association	16	12	2	1	1	0	0	0	0	0	1	17
ii. National Farmers Union	2	2	0	0	0	0	0	0	0	0	0	2
iii. Cattlemen (general)	3	0	2	0	1	1	1	0	0	0	0	5
iv. Packers/Processors/Retailers	32	20	6	3	3	6	1	1	1	1	0	42
v. Wholesalers	8	3	2	1	2	5	0	0	1	1	0	15
vi. Food Prices Review Board	6	3	2	1	0	3	0	0	0	1	1	11
vii. Consumers	20	14	4	1	1	10	2	0	3	1	0	36
viii. Media	5	3	2	0	0	4	0	0	0	0	0	9
ix. Government	23	12	7	2	2	4	0	0	0	0	0	27
E. Need to Rationalize:	3	1	2	0	0	2	0	0	0	0	0	5

The contrasting view against marketing boards was typically associated with the importance of maintaining individual rights and freedoms. Steinbergs Ltd., was one of the few retailers to openly espouse the benefits of free enterprise, while also rejecting the marketing board concept (C.I.M.B.V., 1975; Brief number 24). Other examples of isolated negative opinions expressed towards marketing boards include:

(i) agribusiness fears that they were producer oriented and did not represent the industry as a whole (C.I.M.B.V., 1975; Brief number 28);

(ii) the perception that they were contrary to the survival of auction markets (C.I.M.B.V., 1975; Brief number 78);

- (i) agribusiness fears that they were producer oriented and did not represent the industry as a whole (C.I.M.B.V., 1975; Brief number 28);
- (ii) the perception that they were contrary to the survival of auction markets (C.I.M.B.V., 1975; Brief number 78);
- (iii) the belief that the beef system was too complex for centralized control (C.I.M.B.V., 1975; Brief number 79); and
- (iv) regional prejudices (C.I.M.B.V., 1975; Brief number 80).

In the latter context, the Manitoba Beef Growers Association, an affiliate of the CCA, brought to the attention of the Commission that the first request for a marketing board was submitted by the Québec Federation of Agriculture; since 80 percent of Canada's beef cows were produced in the 4 western provinces, they argued that a request for a marketing board should come from the west and not Québec. As a prelude to the international agricultural trade disputes of the 1990s, they also expressed concern that a marketing board would not help Canada in the upcoming round of GATT negotiations.

Opinions towards the "concentration of ownership" involved concerns regarding oligopoly at the packing and retailing level of the production process, as well as concerns over the increasing occurrence of agribusiness integration into production. Most of these concerns, about 70 percent, were expressed by representatives of the NFU, who argued that large integrated corporations constituted unfair competition to the smaller family farm, and from an extreme radical position called upon all governments in the world to control the economic influence of multinational corporations. In one brief an NFU local referred to the classic rural sociological study by Goldschmidt (1947), drawing to the attention of the Commission the potential negative impact of giant corporate farms upon small towns. These views were not shared by conservative farm organizations, who generally ignored the issue. While oligopoly amongst packers was recognized by the Manitoba Beef Growers Association, they argued that this concentration of ownership was not necessarily detrimental to the marketplace. The only exception came from the British Columbia Cattlemen's Association, who expressed concern over the lack of competition at the

packing plant level, due to the rapid consolidation and relocation of major packers to Alberta (C.I.M.B.V., 1975; Brief number 30).

While 81 briefs included an opinion towards another organization or participant to the Inquiry, the major sources of conflict seemed to extend from the desire of each participant to protect their self interests. For example, selective passages/conclusions of the FPRB were referred to, in order to support the position of the participant, while in some briefs the interests of consumers were often cited as a major concern, particularly in agribusiness submissions. The principal debate, however, involved the efforts of the NFU and the CCA to convince the Commission that their respective organizations represented the majority of cattle producers. At least 12 briefs submitted by the NFU attempted to undermine the legitimacy of the CCA, such as arguing that they found the CCA philosophy of free enterprise and "freedom of choice" to be revolting and irresponsible (C.I.M.B.V., 1975; Brief number 100). In response, the CCA refused to engage in a direct written counter attack against the NFU, although they did address the issue of representation in their briefs and in the hearings before the Commission. The CCA seemed to discount the legitimacy of the NFU, choosing instead to attack the policy recommendations proposed by their producer counterparts, rather than the organization itself. The exception was a direct attack upon the Ontario Federation of Agriculture (OFA), in their second submission to the Inquiry (see below). The Commission was particularly interested in the membership of the NFU, and especially interested in which producer groups represented the greatest amount of volume, as opposed to the majority in numbers of producers (see C.I.M.B.V., 1975; Transcripts, Volume 30).

Lastly, in contrast with the dairy industry, few participants recognized a need to rationalize the production or processing sectors. Only 5 participants commented upon the industrialization of agriculture, especially the growing tendency towards larger operations in feedlot operations. Therefore, unlike in the dairy industry, this issue was not perceived as a major issue amongst the participants.

6.4.8 Processing technology (boxed beef):

The final theme to be addressed within the perceptions regarding the beef crisis involves the application of new "processing technology", particularly the agribusiness perception towards the introduction and diffusion of boxed beef (table 6.20). Essentially a centralized method of cutting beef carcasses into smaller and more transportable portions, boxed beef was an American innovation that was just beginning to be introduced into the Canadian beef industry during the early 1970s. As expected with any innovation, the response towards this technology was varied, and at times contradictory. While some of the major packers and retailers were espousing the economic benefits of boxed beef, producers were generally ignorant of its growing use. The major benefits of boxed beef seemed to be in the saving of labour costs, particularly at the retail level. These savings, with the removal of on-site butchering in supermarkets may explain why the major retailers were more accepting of this technology than the major meat packers.

Table 6.20: Processing technology (boxed beef)

Category/Groups	1	A	B	C	D	2	3	4	5	6	7	TOTALS
6. PROCESSING TECHNOLOGY	4	1	2	1	0	11	0	1	2	0	0	18
A. Centralized Cutting/Boxed Beef	4	1	2	1	0	11	0	1	2	0	0	18

6.4.9 Solutions and recommendations:

The categorization of solutions and recommendations of the participants was a relatively easy process, as most briefs included a clear statement in terms of their aspirations regarding the future institutional structure of the Canadian beef industry. Essentially, participants presented recommendations that were classified into two distinct groups, either the maintenance of the "status quo", or "increased state intervention" (table 6.21). The status quo (or free enterprise) category included 5 recommendations: (i) a return

Table 6.21: Solutions and recommendations

Category/Groups	1	A	B	C	D	2	3	4	5	6	7	TOTALS
1. STATUS QUO	29	0	15	7	7	23	5	2	3	0	2	64
A. Free Enterprise	16	1	8	4	3	7	5	1	1	0	1	31
B. CCA Proposal	11	1	7	1	2	0	0	0	0	0	0	11
C. Minor Improvements	9	0	5	0	4	4	1	0	2	0	1	17
D. Stabilization Plan	7	1	2	2	1	1	0	0	0	0	0	8
E. No Clear Recommendations	5	0	2	2	0	13	0	1	0	0	0	19
2. INCREASED STATE INTERVENTION	48	47	0	1	0	0	0	0	0	1	0	49
A. NFU Livestock Policy/Marketing Board	43	42	0	1	0	0	0	0	0	1	0	44
B. Protection with Tariffs and Quotas	25	24	0	1	0	1	0	0	0	0	0	26
C. Price based on real production costs	34	33	0	1	0	0	0	0	0	1	0	35
D. Control intermediaries/prices	17	15	0	2	0	0	0	0	1	1	0	19
E. Long term policy needed	4	3	0	0	1	0	0	0	1	0	0	5
F. Equal rep. on a M.B. necessary	0	0	0	0	0	1	0	0	0	0	0	1

to unrestricted free enterprise, including the re-establishment of an open Canada-U.S. border; (ii) support for a CCA proposal which incorporated reciprocal quotas with the U.S., and the expansion of the CANFAX market information system; (iii) minor improvements to the production and marketing system; (iv) support for some form of stop-loss stabilization; and (v) the implicit maintenance of the status quo, since no clear recommendations were presented. Similarly, participants demanding for increased state intervention were classified into 6 categories: (i) support for a NFU proposal, involving the creation of a National Marketing Agency; (ii) increased import protection with tariffs and quotas; (iii) stabilization reflecting real production costs; (iv) demands to control agribusiness intermediaries and/or prices; (v) recognition of the need for long term policy; and (vi) assurances of equal representation on a marketing board.

Of the 113 participants submitting briefs to the Commission of Inquiry, 64 submissions were in favour of free enterprise and the maintenance of the status quo, while 49 submissions supported the formation of a marketing board. While this suggests a slight majority of participants were against the creation of a marketing board as a solution to the

beef crisis, a detailed investigation of the submissions by location and organizational type indicates that support for a National Marketing Agency had a distinct pattern. In terms of location, support for a marketing board was greatest in Saskatchewan and Ontario (see table 6.22 and figure 6.4), while support for free enterprise and the status quo was greatest in Alberta.

In terms of the producer participants, farm organizations were clearly differentiated between organizations ideologically supportive or affiliated with the CCA, and those supportive or members of the NFU. Of the 62 submissions from producer organizations, 47 were in favour of a marketing board, while 15 were in favour of free enterprise (table 6.22). Combined, these statistics generally reflect the literature's portrayal of an ideological and regional split between farm organizations as undermining a producer consensus towards a beef marketing board.

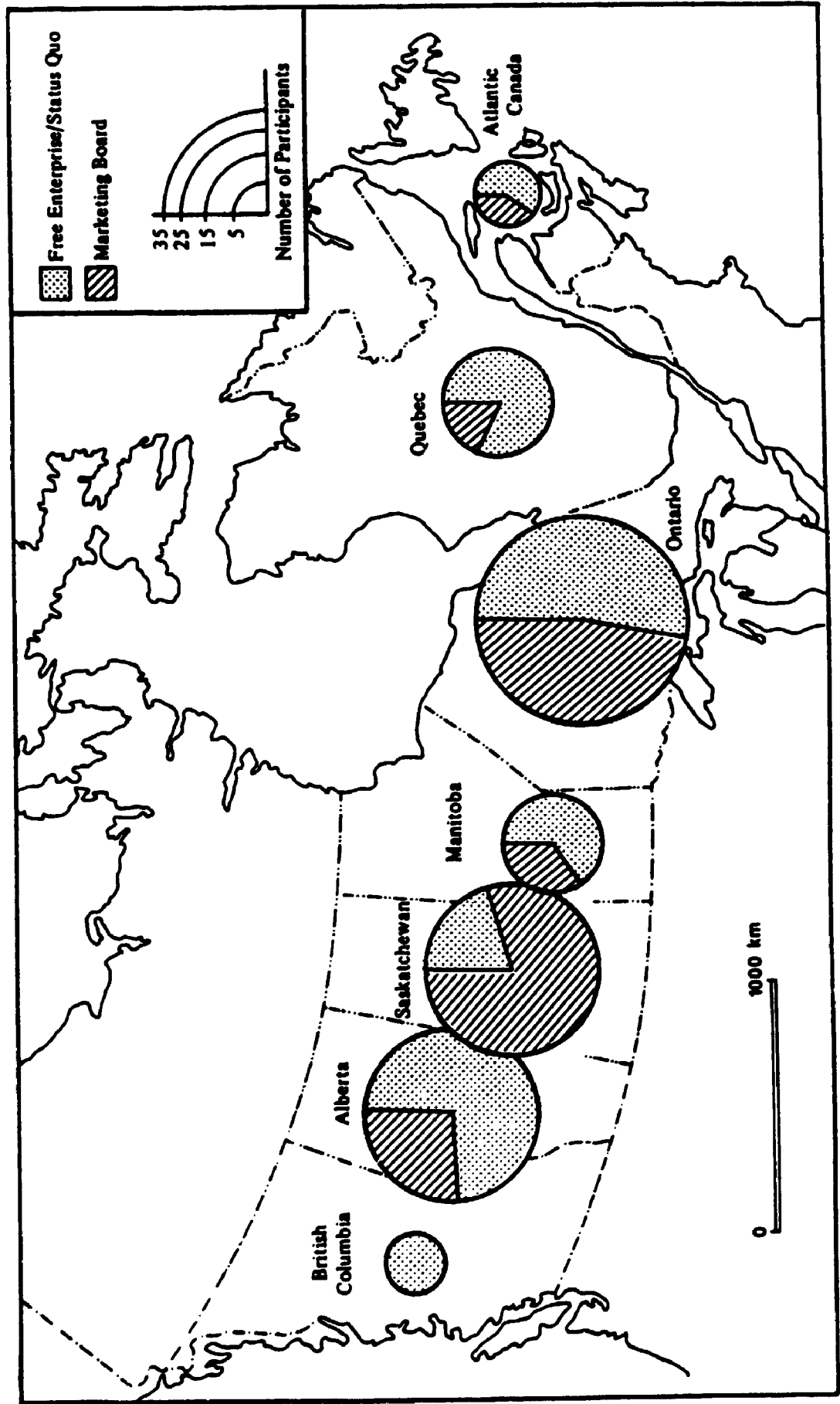
If one considers all of the participants, however, according to their organizational type and position within the agri-food production process, then a very different interpretation can be made. Of the 113 briefs, 49 submissions were supporting the formation of a marketing board. This group was mostly composed of representatives from the NFU (39 briefs), but also included support from the two major broad based farm organizations in Quebec and Ontario: l'Union des Producteurs Agricoles, and the OFA. The only non-producer support for a marketing board came from the Saskatchewan Federation of Labour. In contrast, the 64 submissions in favour of free enterprise represented an alliance between the major conservative farm organizations (i.e. the CCA and its provincial affiliates) and all of the participating major agribusiness firms (major packers, supermarket chains, and the Hotel-Restaurant-Institutional trade). Support for free enterprise also came from all participants classified as (a) farm agribusiness, (b) 7 of the 8 individual farmers, including a Conservative M.P., (c) the major livestock markets, (d) the Consumers Association of Canada, including provincial affiliates from Ontario and Quebec, and (e) two experts who addressed the Commission.

**Table 6.22: Composition of participants based upon their recommendations,
by province and organizational type**

Province	Free Enterprise/ Status Quo	Marketing Board/Agency	Sub- Totals
British Columbia	4	0	4
Alberta	19	7	26
Saskatchewan	5	19	24
Manitoba	6	3	9
Ontario	18	16	34
Quebec	9	2	11
Atlantic Canada	3	2	5
Totals	64	49	113
Organizational Type			
Producer	29	48	77
Farm Organizations	(15)	(47)	(62)
Farm Agribusiness	(7)	(0)	(7)
Individual Farmers	(7)	(1)	(8)
Agribusiness	23	0	23
Marketing Agencies	5	0	5
Transportation	2	0	2
Consumer	3	0	3
Organized Labour	0	1	1
Experts	2	0	2
Totals	64	49	113
(Subtotals)			

Source: compiled from the briefs, C.I.M.B.V., 1975.

Figure 6.4: Provincial distribution of participants by recommendations



While a lack of consensus amongst producers and a convergence of support towards free enterprise between the major conservative producer organizations and agribusiness firms are the most significant characteristics of the content analysis regarding recommendations, there are 5 additional observations that deserve mention. First, there were differences of opinion within the pro-marketing board position. While the NFU briefs were almost unanimous in their support of the resolutions passed at their annual meeting (the demand for a National Marketing Agency), the recommendations submitted by the OFA and its county affiliations represented a "bridge" between the NFU and the CCA. Although supportive of a marketing board, the OFA was also in support of some of the CCA's recommendations. Second, it is significant to note that organizations whose membership included dairy farmers, e.g. the OFA and the 'Union des Producteurs Agricoles, were in favour of a marketing board. Third, a small number of NFU submissions included recommendations that could only be described as "radical", including the expropriation and nationalization of the C.P.R. (C.I.M.B.V., 1975; Brief number 34), and for the Federal government to take greater responsibility for the orderly development of retail outlets (C.I.M.B.V., 1975; Brief number 74).

The last two observations concerns the recommendations, or lack thereof, from agribusiness interests. Essentially, agribusiness firms did not comment upon marketing boards, nor did they tend to offer solutions to the beef crisis. Of the 23 briefs submitted from agribusiness firms, 13 of them did not make any clear recommendations. A small number of agribusiness firms (particularly representatives from the supermarket chains), instead chose to verbally articulate their perceptions of a marketing board or provide solutions to the Commission during the actual hearings, and not in their submitted written briefs. Even then, agribusiness firms (particularly representatives from the major packers) tended to comment upon the benefits of free enterprise, rather than attack a producer marketing board. For example, Mr. McLean, the President of Canada Packers, told the Commission:

... I think our firm has always taken the view that insofar as such questions as Mr. Mackenzie raised in the press report of a marketing board or controlled marketing systems of some kind or another, we have always taken the view that that is really a decision of the seller and not of the buyer. Therefore, we have little to say about that. However, as far as our part in the industry which is buying cattle and preparing them for sale at the wholesale level, I don't think we do have any recommendations. I think it is a pretty good marketing system (C.I.M.B.V., 1975; Transcripts, Volume 1, p. 18).

Although a few agribusiness firms were prepared to make their position on marketing boards of public record (e.g. Steinberg's), most of them chose to ignore the issue. Only 1 of 23 agribusiness briefs demanded that equal representation on a marketing board was necessary. This level of response may not reflect the true position of agribusiness firms towards marketing boards or their composition, but instead simply illustrate their confidence that the formation of a beef marketing board was not likely to occur.

6.5 Analysis of the crisis (a quantitative content analysis):

Following the technique described in Chapter 4, the discussion now addresses a detailed analysis of the beef crisis, through the application of a quantitative analysis of the briefs content submitted by a select group of elite participants. The 8 elite participants selected, include briefs submitted from the major producer organizations (the CCA, the OFA, and the NFU), Bert Hargrave, a Conservative MP from Alberta (and a cattle rancher), the Meat Packers Council of Canada, and the Saskatchewan Federation of Labour (table 6.23). The briefs selected for further analysis, were chosen for theoretical and practical reasons; they represented the views of the major participants to the Inquiry, and they were well structured and consequently well suited for a quantitative content analysis. By coincidence, the 8 selected briefs provide an even balance of participants in favour of free enterprise and in favour of a beef marketing board.

Table 6.23: List of elite participants and brief number

Canadian Cattlemen's Association (Brief 7)	Ont. Federation of Agriculture (Brief 93)
Canadian Cattlemen's Association (Brief 111)	National Farmer's Union (Brief 21)
Bert Hargrave, Conservative M.P. (Brief 53)	National Farmer's Union (Brief 59)
Meat Packers Council of Canada (Brief 86)	Sask. Federation of Labour (Brief 71)

Amongst the pro free enterprise position, the CCA has generally been recognized as the major national producer organization that represents cattle producers; therefore, both of their briefs (an initial and follow-up brief) were subject to analysis. Although Bert Hargrave addressed the Commission as an individual farmer, this selection was made on the basis of his status as a Conservative M.P. from Alberta. As a member of Parliament, it is assumed that his submission would receive a higher profile than briefs presented by other individual farmers. Representation from the agribusiness sector was more difficult to determine, since most of the briefs submitted from the major packers chose to address specific issues only during the hearings and not in written form (e.g. Canada Packers Ltd.). Further, at the retail level there did not seem to be one particular brief that clearly summarized the concerns or position of the major supermarket chains. Due to these difficulties, the brief submitted from the Meat Packers Council of Canada was selected as representing agribusiness interests, albeit at the expense of the retail position. Theoretically, the Council represented 45 meat packing firms (table 6.24), who manufactured over 70 percent of Canada's beef. While they have a long history dating back to 1919 (Stanley, 1975), they also have a reputation of representing the interests of the major packers (Mitchell, 1975).

From the pro marketing board perspective, the major participating producer organizations were selected (the NFU and the OFA), along with the 'voice' of labour. From the NFU, 2 briefs were selected, in part to counter the 2 CCA submissions. These

Table 6.24: Membership and plant location of the Meat Packers Council of Canada, 1975

Members	Location of Plants
Abattoir Ouellet Inc.	Ste. Perpetue
Abattoir St-Valerien Inc.	St. Valerien
Abattoirs Laurentides Inc.	St. Esprit
Agincourt Foods Ltd.	Agincourt
Alpina Salami Inc.	Laval
Bilopage Inc.	Quebec
N. Bourassa Ltee.	Montreal
F. G. Bradley Co. Ltd.	Toronto, Edmonton
Burns Foods Ltd.	Calgary, Kitchener, Winnipeg, Brandon, Regina, Prince Albert, Edmonton, Vancouver
Canada Packers Ltd.	Toronto, Charlottetown, Saint John, Montreal, Hull, Bramalea, St. Boniface, Moose Jaw, Edmonton, Lethbridge, Red Deer, Calgary, Vancouver
Canadian Dressed Meats Ltd.	Toronto, Lethbridge
La Chaine Cooperative du Saguenay	St. Bruno
Le Cheptel de Berthier Inc.	Berthierville
S. Coorsh & Sons Ltd.	Montreal, Calgary
East-West Packers Ltd.	St. Boniface
Essex Packers Ltd.	Hamilton
F.W. Fearman Co. Ltd.	Burlington
Gainers Ltd.	Edmonton
Gerard Fugere Ltee	St. Stanislas
Henri Roy & Frere Inc.	St. Anselme
Herve Houle Ltee	St. Simon
Hygrade Foods Inc.	Montreal
Intercontinental Packers Ltd.	Saskatoon, Regina, Red Deer, Vancouver
Jack Forgan Meats Ltd.	St. Boniface
Larsen Packers Ltd.	Berwick
Legrade Inc.	Princeville
Olivier Bienvenue Ltee.	St. Valerien
O.K. Packers	St. Boniface
Peter Macgregor Ltd.	Toronto
Quality Meat Packers	Toronto
H. St. Jean et Fils Inc.	St. Hyacinthe
Les Salaisons Brochu Inc.	St. Henri
Les Salaisons Milton Ltee.	Iberville
J.M. Schneider Ltd.	Kitchener, Winnipeg
Shopsy's Foods Ltd.	Weston
Sodor Inc.	Loretteville
Supreme Packers Inc.	Montreal
Swift Canadian Co. Ltd.	Toronto, Moncton, St. Boniface, Edmonton, Lethbridge
Swift Eastern Ltd.	Toronto
Taillefer & Fils Inc.	Montreal
Turcotte & Turmel Inc.	Valle Junction
United Packing Co. Ltd.	Montreal
Vancouver Fancy Sausage Co. Ltd.	Vancouver
Les Viandes Demers Ltee.	St. Pierre les Becquets
Windsor Packing Co. Ltd.	Windsor

Source: C.I.M.B.V., 1975; Brief number 86

briefs were also the first submission from a regional representative of the NFU to the Commission (District 1/Region 2, P.E.I.), and the submission from the parent NFU organization, based in Saskatchewan. The OFA submission was selected, given the large number of Ontario farmers that the organization represents. The Saskatchewan Federation of Labour was also selected, as representative of labour and as the only non-producer organization to support a beef marketing board. Collectively, these organizations represent a numerically large, geographically extensive and ideologically balanced proportion of the 113 submissions to the Commission of Inquiry.

6.5.1 Perception of the beef crisis:

From the outset, the 8 elite organizations shared between them a recognition that a beef crisis actually existed, although the pro free enterprise group perceived the crisis as temporary, whereas the pro marketing board group perceived the crisis as severe or long term. Most of the "elite" organizations attempted to educate the Commission in regards to their role in the system, e.g. details of their membership. The CCA, the Meat Packers Council of Canada and the OFA also attempted to place the crisis within the broader beef marketing system, whereas the NFU brief from P.E.I. and Bert Hargrave tended to focus upon issues that were specific to their respective geographical regions.

6.5.2 The cost-price squeeze:

While all of the elite participants discussed the "cost-price squeeze" to some degree, there were noticeable differences in their perceptions (table 6.25). Essentially, the perception of decreasing prices and increasing inputs were the domain of the producer pro-marketing board lobby, and the OFA in particular. In the latter case, the OFA placed responsibility upon the beef cycle and the liquidation of herds. The NFU also questioned the unfair price differentials between heifers and steers, that were paid by packers. This

concern extended into the retail sector, citing the failure of supermarkets to clearly identify grades and gender characteristics of beef to the consumer. This focus contrasted with the CCA, who in both briefs virtually ignored the "cost-price squeeze", with the exception of sharing concern over unfair "price differentials" between heifers and steers. In the latter issue, however, while the CCA also extended their concerns to the retail sector, they identified only minor problems, while pointing out to the Commission that the FPRB had exonerated the retailers in terms of having fair profit margins.

Table 6.25: The cost-price squeeze (elite analysis)

Category/Brief	7	111	53	86	93	21	59	71
1. COST-PRICE SQUEEZE	12	4	5	20	10	22	12	20
A. Price	0	0	2	4	1	8	5	4
B. Inputs and other costs	1	1	2	3	8	5	1	2
C. Low profits/constrained capital	0	0	0	1	0	0	0	0
D. Retail Market	6	3	1	1	1	5	3	17
E. (Unfair) Price Differentials	5	1	1	11	1	5	4	1

In a clear defensive posture, the Meat Packers Council of Canada devoted 11 paragraphs to justify the price spread, primarily between producers and packers. In contrast with the dairy industry, the problem of low profits or constrained capital was essentially a non-issue, perhaps reflecting the history of overcapacity in the meat packing sector. The Saskatchewan Federation of Labour was the only elite participant to direct almost all of its concern regarding the cost-price squeeze to the agribusiness corporations engaged in food processing and distribution.

6.5.3 The production and marketing system:

The "production and marketing system" was an area of concern for most, but not all of the elite participants (table 6.26). The Meat Packers Council of Canada dealt with the

problem only in terms of commenting upon the global market and the role of the Montreal wholesalers, while the Saskatchewan Federation of Labour ignored the issue entirely. In the latter case, they virtually ignored all of the general thematic areas associated with the beef crisis, with the exception of extensively expressing their opinions towards agribusiness concentration of ownership. The fate of the North American market was divided between the CCA and Bert Hargrave's position demanding the removal of Canada-U.S. quotas, while the NFU were demanding the maintenance of tariff and quota protection from unfair U.S. competition. In terms of frequency of occurrence, this issue was ignored by the Meat Packers Council of Canada, received little attention by the CCA, but was the focus of the briefs submitted from Bert Hargrave and the NFU (Sask.). In terms of global trade, the OFA and Bert Hargrave devoted 13 and 8 paragraphs respectively to the issue, both citing a global glut of cattle as contributing to the beef crisis in Canada.

Table 6.26: The production and marketing system (elite analysis)

Category/Brief	7	111	53	86	93	21	59	71
2. PRODUCTION AND MARKETING SYSTEM	13	8	20	6	20	7	12	0
A. North American Market	2	2	10	0	6	3	10	0
B. Global Market	1	0	8	2	13	0	1	0
C. Montreal Market/Wholesalers	10	7	1	4	1	0	6	0
D. Hinterland Production Areas	1	0	0	0	0	4	0	0
E. Diversity of Production System	0	0	3	0	0	0	0	0

Although the CCA expressed the need to return to an open market, their comments upon the production and marketing system were generally directed towards the role of the "Montreal market". The CCA focused 17 paragraphs on the role of Montreal wholesalers, and along with the Meat Packers Council of Canada, argued that the Montreal market exerted considerable influence upon the Canadian market. While the NFU concurred with this interpretation, they were much more critical of the wholesalers role, suggesting involvement from organized crime.

6.5.4 The methods of exchange:

The "methods of exchange" was an aspect of the beef marketing system that received considerable attention from those participants interested in maintaining the status quo, while only passing reference was made by the participants supporting a beef marketing board (table 6.27). The Meat Packers Council of Canada and the CCA each devoted 40 or more paragraphs to issues pertaining to the methods of exchange. In contrast, only the NFU (Saskatchewan) stressed the exploitive nature of the marketing system (8 paragraphs), while devoting a single paragraph towards the removal of direct sales.

Table 6.27: The methods of exchange (elite analysis)

Category/Brief	7	111	53	86	93	21	59	71
3. METHODS OF EXCHANGE	14	40	5	44	2	1	9	0
A. Diversity of Marketing System:	7	2	0	6	0	1	8	0
B. Public Auctions	3	0	0	3	0	0	0	0
C. Direct Sales	5	15	0	2	0	0	1	0
D. Confax System	2	21	0	16	0	0	0	0
E. Grading System	5	3	5	23	2	0	0	0

In their initial brief to the Commission, the CCA addressed all aspects of the marketing system, basically stressing the strengths of the existing system while suggesting minor modifications, particularly in terms of the grading procedures. From a review of their first brief, there is little doubt that the CCA was determined to impress upon the Commission the importance of maintaining the existing marketing system:

... our main purpose here is to express our concern that no marketing system be contemplated or instituted which will reduce the flexibility created by these various marketing alternatives (C.I.M.B.V., 1975; Brief number 7, p. 3).⁸

Their position in favour of maintaining the status quo in the marketing system was further emphasized in their second brief (including a supplementary brief), which was almost entirely oriented as a defense of direct sales as a legitimate marketing alternative. In fact, in their second submission, the CCA even challenged the Commission to find any 'adverse' effects of direct sales. Support for direct sales was a precursor to promoting CANFAX as a market information system that should be expanded via increased government support. In their second brief, the CANFAX system was discussed in 21 paragraphs, including a supplementary brief devoted solely to its description.

The Meat Packers Council of Canada offered considerable support for the existing methods of exchange, stating that the diversity of the marketing system maximizes the producers marketing options, while openly admitting that its members use both public auctions and direct sales in a fair manner. The CANFAX system was also given indirect support, as 16 paragraphs focused upon the problem of inadequate market information. Their main area of concern, however, was in the existing grading system, which they reluctantly recognized the need for minor improvements, e.g. support of rail grading. Rail grading was also supported by the CCA, Bert Hargrave and the OFA.

6.5.5 Government policy:

In terms of "government policy", the major areas of concern involved Bill C-50, the proposed Federal stabilization plan, and the role of government incentives in expanding cattle production in Canada (table 6.28). The NFU (Sask.) devoted 48 paragraphs to government policy, 23 of which were oriented towards the proposed "stabilization plan".

⁸ Throughout the chapter, all underlined quotations are the emphasis of the brief's author.

cattle production in Canada (table 6.28). The NFU (Sask.) devoted 48 paragraphs to government policy, 23 of which were oriented towards the proposed "stabilization plan". Essentially, while they recognized the need for stabilization, they argued extensively that the stabilization program was unfair, particularly in terms of the Federal plan not extending to calves or feeder cattle. More fundamental to their concerns, however, was the perception that the stabilization plan did not go far enough, i.e. a marketing board, and in fact suggested to the Commission that the plan's first objective was "optics... to create the illusion that something effective was being done" (C.I.M.B.V., 1975; Transcripts, Volume 31, p. 2,784).

Table 6.28: Government policy (elite analysis)

Category/Brief	7	111	53	86	93	21	59	71
4. GOVERNMENT POLICY	8	0	10	12	1	9	48	1
A. Stabilization Plan	0	0	3	0	0	0	23	1
B. Management of Quotas/Tariffs	4	0	2	0	0	0	0	0
C. Government incentives: grain into beef	0	0	1	0	1	6	18	0
D. Transportation and Crow Rates	4	0	6	4	0	0	3	0
E. Problems of Province vs Province	0	0	1	0	0	0	0	0

This cynicism was only countered by Bert Hargrave, who supported the need for a stop-loss stabilization plan, while all other elite participants did not comment upon the Federal program. The CCA was concerned with the government's mismanagement of tariffs and quotas, and with the Crow transportation rates, arguing that the freight rate on cattle subsidized the grain producers. The Meat Packers Council of Canada focused its attention upon a policy related issue, that was addressed by only one of the other 112 participants, devoting 8 paragraphs to meat inspection and health standards. This focus was related to an investigation by the Quebec Crime Commission in regards to tainted beef.

6.5.6 Attitudes and values:

As in the qualitative content analysis, the quantitative content analysis of the elite briefs illustrate strong beliefs towards issues and against specific participants to the Commission of Inquiry (table 6.29). From an evaluation of their expressed attitudes and values, the position of the CCA, the Meat Packers Council of Canada and Bert Hargrave is clear, in regards to being against the formation of a beef marketing plan. For example, the CCA began their initial brief by clearly stating two fundamental points: (i) an offer of full co-operation with the Commission of Inquiry, and (ii) the wish to improve an already good marketing system, instead of replacing the present production and marketing system with a system that would involve a legislated marketing [board] or legislated supply controls (C.I.M.B.V., 1975; Brief number 7, pp. 1-2). Similarly, although Bert Hargrave outlined a brief history of attempts to create a beef marketing board, he devoted 9 paragraphs to express his anti-marketing position. Openly supportive of the CCA and their policies, he argued that a marketing board could not possibly resolve the cattle crisis, due to: (i) long term dependence on the U.S. market, and (ii) the length of time (3-4 years) involved between initiating a breeding program and beef eventually reaching the consumer's dinner table.

The anti-marketing board lobby also received considerable support from the Meat Packers Council of Canada, who, unlike their members that participated in the Inquiry, clearly stated their position on marketing boards in their submission. Essentially, their general views respecting marketing boards can be summarized in the following 5 major points:

1. in the event of a plebiscite, a strong majority should be required, taking into account the volume of output to ensure that there is adequate support for the plan;
2. if producers decide to establish a plan, then processors must be consulted on the practical mechanics of collective sale, and become a party to the arrangements, with provision for continuing liaison;

Table 6.29: Attitudes and values (elite analysis)

Category/Brief	7	111	53	86	93	21	59	71
5. ATTITUDES AND VALUES	7	4	13	10	3	5	36	12
A. Personal Philosophy	2	1	0	2	0	0	0	0
B. Marketing Boards	3	2	9	6	1	1	4	1
C. Concentration of ownership	1	0	0	0	0	0	8	10
D. Organizations/Participants	3	2	5	3	1	5	31	1
i. Canadian Cattlemens Association	0	0	2	0	0	0	5	0
ii. Cattlemen - General (Ont. Fed. of Agriculture)	0	2	0	0	0	0	0	0
iii. Packers/Processors (/Retailers)	1	0	0	0	1	4	25	0
iv. Wholesalers	0	0	1	0	0	0	0	1
v. Food Prices Review Board	1	0	1	3	0	1	2	2
vii. Consumers	0	0	0	0	0	0	0	1
viii. Government	1	0	2	0	0	0	0	0
E. Need to Rationalize:	0	0	0	0	1	0	0	0

3. powers delegated to a produce board should be subject to administrative oversight by an impartial Board, to ensure protection of the public interest and fair non-discriminatory treatment to all concerned; furthermore, any aggrieved persons should be able to appeal to this body;

4. as a general rule, a producer board should not be delegated powers of both supply management (establishing quotas for producers or processors) and price fixing, if in fact either; for example, hog boards have operated quite successfully without either power; and

5. since boards have a monopoly on the selling function, there should be adequate safeguards to ensure they offer the product without discrimination for competitive sale (C.I.M.B.V., 1975; Brief number 86, pp. 7-8).

Clearly, then, while the status quo was their preferred choice in regards to future government policy, the Meat Packers Council of Canada were at least prepared to work with a beef marketing board if they had input into its organization (but not necessarily equal representation on the Board), the right to appeal board decisions, and if the board had restricted powers of authority, as in the hog industry.

In contrast, the NFU, OFA and the Saskatchewan Federation of Labour did not focus upon the benefits of marketing boards, instead directing their concerns towards the costs and exploitive tendencies of agribusiness oligopoly, and raising the question of producer representation by the major farm organizations. In the former context, the NFU

(Sask.) and the Saskatchewan Federation of Labour expressed concern towards agribusiness oligopoly, particularly at the meat packing stage of the production process, although the supermarket chains did not escape their wrath:

It is our belief that many of the problems in marketing and pricing which have been experienced by beef producers come as the result of the complex and clandestine role being played by the large multinational packinghouse corporations and retail chains. They, in turn, are only part of the larger international economic community with their private economic planning systems over whose decisions we, as farmers and citizens, have no control (C.I.M.B.V., 1975; Brief number 59, p. 8).

The OFA also expressed some concern towards agribusiness oligopoly, but their views were considerably more tempered than their NFU counterparts. The Meat Packers Council of Canada responded to these complaints by citing the favourable findings of the FPRB, and emphasized (11 paragraphs) that consumers, who tend to act emotionally to media reports, were their number one priority.

The major meat packers were clearly the target of the NFU and the Saskatchewan Federation of Labour. In part, possibly due to the high profile of Canada Packers Ltd. as the major cattle purchaser or due to the labour strikes that were occurring during the time of the Inquiry. The NFU (Sask.) discussed the negative impact of the major packers in 25 paragraphs, frequently citing the 1961 Commission of Inquiry that investigated oligopoly in the Canadian meat packing industry (see Restrictive Trade Practices Commission, 1961). For their part, the Meat Packers Council of Canada refused to retaliate or engage in a similar written or verbal attack on producers. In fact, in their brief they attempted to redirect the focus of the Inquiry:

It would be our hope that the main thrust of this Inquiry will be, keeping in mind the prime factors in the present troubled economic state of the beef industry, to consider how potential improvements in the marketing system could positively contribute long term to overcoming such problems, rather than to try to identify culprits allegedly responsible for excessively high prices to consumers or low prices to producers. We feel that a number of factual reports of the FPRB relating to beef have already demonstrated that by and large there are not such culprits and that there is a continuing close correspondence between beef price relationships at the primary, wholesale and retail market levels (C.I.M.B.V., 1975; Brief number 86, pp. 1-2).

Meanwhile, the CCA took the opportunity in their second brief to "enlarge upon their views and comment upon some of the testimony presented" (C.I.M.B.V., 1975; Brief number 111, p. 1). This included a direct attack upon the submission by the OFA, claiming that their Ontario rival represented only a small minority of producers. Given that the OFA claimed to represent over 25,000 farm families, which included 10,700 cattle producers and 6,700 dairy farmers who contribute to the beef supply (C.I.M.B.V., 1975; Brief number 93), it is reasonable to assume that this organization was a legitimate voice of Ontario beef farmers. This legitimacy could explain why the CCA deemed it necessary to attack the OFA, as opposed to the NFU, despite the fact that the latter organization frequently suggested that the CCA was "elitist", and that the former organization did not even criticize or mention any farm group in their brief.

Lastly, in stark contrast to the dairy industry, the OFA was the only elite organization to recognize that agriculture was undergoing a transformation. Citing a drastic increase in capital investment and the rapid expansion of purchased input factors of production, the OFA recognized the dialectical contradictions of this process, which generated a decreasing net income as a proportion of gross returns and the formation of a staggering farm debt. Combined, the industrialization of agriculture operated to make farmers "less financially secure, less self-sufficient, and more vulnerable to periods of suppressed prices" (C.I.M.B.V., 1975; Brief number 93, p. 11). Whether this lack of recognition reflected that the industrialization of agriculture was more or less common, or its effects less dramatic, than in the dairy industry, is unknown; however, it is evident that the industrialization of agriculture was essentially a non-issue in the elite perceptions of the beef crisis.

6.5.7 Processing technology (boxed beef):

As in the qualitative analysis, concern over the application of new processing technology (boxed beef) was limited amongst the elite participants. What is notable, however, was that all participants commenting upon boxed beef were generally either neutral or supportive of this technology. Surprisingly, neither the NFU and especially the Saskatchewan Federation of Labour expressed any concern over boxed beef. It is probable that given the nature of centralized cutting, which would eliminate the need for on-site butchering of beef in the supermarket, the advent of boxed beef was only perceived as a threat to labour amongst those employed in the retail sector, rather than to labour employed in the meat packing stage of the production process. What is apparent is that the application of boxed beef technology was also essentially a non-issue in the elite perceptions of the beef crisis.

6.5.8 Solutions and recommendations:

Essentially, the elite participants examined were ideologically balanced between 4 briefs in favour of free enterprise and the maintenance of the "status quo", and 4 briefs supporting "increased state intervention" and the formation of a marketing board (table 6.30). Upon closer examination, however, there are distinct differences amongst the major participants which suggests that the opposing groups were not unanimous in their support of either extreme position.

The main supporter of free enterprise was clearly the CCA, who submitted a proposal that incorporated 6 basic recommendations. The overall intent of their proposed solutions to the beef crisis was to improve the existing production and marketing system, by recommending:

Table 6.30: Solutions and recommendations (elite analysis)

Category/Brief	7	11	53	86	93	21	59	71
III. Solutions and Recommendations	17	16	7	0	26	14	16	4
1. STATUS QUO	17	16	7	0	5	0	0	0
i. Free Enterprise/Open U.S. Border	0	0	4	0	3	0	0	0
ii. CCA Proposal	17	16	2	0	3	0	0	0
iii. Minor Improvements	0	0	0	0	0	0	0	0
iv. Stabilization Plan	0	0	2	0	5	0	0	0
2. INCREASED STATE INTERVENTION	0	0	0	0	26	14	11	4
i. NFU Livestock Policy/Marketing Board	0	0	0	0	14	12	11	2
ii. Protection with Tariffs and Quotas	0	0	0	0	4	1	1	0
iii. Price based on real production costs	0	0	0	0	0	1	1	1
iv. Control intermediaries/prices	0	0	0	0	0	2	1	3
v. Long term policy needed	0	0	0	0	0	0	0	0
vi. Equal rep. on a Board necessary	0	0	0	0	0	0	0	0

1. that the Government consider providing support to producer operated market information services such as the CANFAX program;
2. that Government work with producers, market agencies and packers to determine whether a central competitive pricing system of cattle can be operable without physically assembling the cattle;
3. that the practicability of marketing live cattle at competitive auction, but on the basis of a carcass weight and grade price be explored;
4. that Packers be encouraged and assisted in developing breaking facilities for a much greater percentage of their beef sales; and
5. that a complete investigation be made to the dressed beef marketing system, especially the role played by the Montreal Trade in determining price, and that proposals be made for developing an open competitive market for dressed beef (C.I.M.B.V., 1975; Brief number 7).

This proposal was reiterated in their second brief, with emphasis on clarification and suggestions for minor improvements to the marketing system. While they devoted a total of 33 paragraphs to their proposals, they were also in favour of re-opening the Canada-U.S. border, calling for negotiated bilateral quotas and tariffs that recognized the 10:1 ratio of

cattle and human population in the respective countries.⁹ Bert Hargrave was openly in agreement with the CCA recommendations, and also ideologically supportive of a government stabilization plan.

While the Meat Packers Council of Canada did not present any clear recommendations in their brief, their expressed verbal opinions in the hearings suggests that they were at least prepared to seriously consider (and possibly support) a government stabilization plan. During the hearings, Mr. H. K. Leckie, General Manager of the Meat Packers Council of Canada argued that it was impractical to have production quotas for beef, yet he recognized that there was a significant need for some state intervention:

I am all for bringing in a stable agricultural policy for Canada to give the producer more assurance so he will stay in production. In fact, our industry is sunk if we can't do something like that (C.I.M.B.V., 1975; Transcripts, Volume 37, p. 3,688).

According to the General Manager, the fundamental issue that needed to be resolved concerned the form of state intervention which would be acceptable to the Council's members. The Council did not believe in a completely regulated economy, yet they recognized the need for more stability and assurance in the system. When further questioned by the Commission if he could sell the concept of stabilization (guaranteed minimum prices to producers) to the members of the Meat Packers Council of Canada, Mr. Leckie provided a somewhat guarded, yet affirmative, response.

In contrast, the NFU was the main supporter of supply management, submitting their own proposal which had been unanimously passed at their most recent annual general meeting. Composed of 11 recommendations, their proposal called for the establishment of

⁹ The CCA argued that the U.S. had a cattle and human population that was 10 X as large as those in Canada. Consequently, they argued that Canadian cattle exports to the U.S. should be 10 X as great as our imports, since their market could more easily absorb Canadian exports. They did not comment upon the reverse option, that the U.S. cattle producers, with 10 X as many cattle, should be allowed to export 10 X the amount of Canadian exports.

a National Marketing Agency to administer a supply management program. Basically, the NFU livestock policy incorporated the following recommendations:

1. The NFU endorses the concepts of orderly marketing for livestock and livestock products. Supply management is an integral part of the orderly marketing system but should not be interpreted as inward looking or as recommending overly restrictive production controls. We believe production must be geared to regulated expansion in order to meet effective market demand and fulfill human needs.
2. The marketing of all feed grains sold commercially in Canada should be regulated by a Canadian Grains Board which would be an extension of the present concepts of the Canadian Wheat Board. Only through such a regulatory agency can a meaningful price relationship be established between the major input costs of livestock production and the prices received by livestock producers.
3. The NFU calls for the organization of a National Meat Authority for the marketing of livestock and livestock products with authority to manage supplies and regulate imports. Inherent in such a National Authority would also be considerations for:
 - a) The transfer of market powers from the provinces to the National Authority;
 - b) The establishment of production targets and the negotiation with each province of market sharing agreements, the regulatory role to be assumed by provincial marketing agencies or marketing powers in cases where agreement of provinces to transfer necessary powers cannot be attained.
 - c) Research programs for export market expansion and the negotiation of trade agreements as well as the organization of inventory disposal programs would be necessary areas of jurisdiction for a NMA if price stability is to be achieved.
 - d) Price stabilization programs indexed to reflect production costs and returns to labour and investment would be negotiated between federal and provincial governments and producers as represented by the NFU.
 - e) In supply management situations, under no circumstances should quotas be marketable or negotiable between producers. Legislation should exclude chain stores, packing plants, feed companies, and other agribusiness firms from sharing production rights.
 - f) The auction method of selling livestock for slaughter should be abandoned including the electronic gimmickry of the teletype auction method.
 - g) Grading systems should be improved to more truly reflect the value of animals while retail meats sold to consumers should be clearly identified as to grade and quality.
 - h) There should be control over mark-ups by firms handling, processing and retailing meat products (C.I.M.B.V., 1975; Brief number 21).

The overall objective of this proposal was to unite producers, and establish a balanced economic relationship between grain and livestock production, which would permit orderly

growth and development in the agricultural sector (C.I.M.B.V., 1975; Brief number 59). The adoption of the proposal would also establish the NFU as the official representative of cattle producers, in the hope that this would enable farmers to successfully countervail the bargaining power of multinational agribusiness corporations.

The Saskatchewan Federation of Labour was supportive of establishing regional marketing authorities, in order to provide producers with the right to collective bargaining. Furthermore, following the NFU's demands for the control of prices beyond the farmgate, they called for a publicly-owned processing and retailing industry. In general, the Saskatchewan Federation of Labour were attempting to present a parallel between the cattle producer and the workers of the meat packing plants. Without further investigation, one can only speculate that the orientation of their brief was structured in such a manner in an attempt to present an alliance between farmers and workers into one collective labour movement, with the unified objective of opposing the oligopolistic and exploitive tendencies of agribusiness firms.

Lastly, the OFA was the only participant to present a brief that represented an integrated position between the NFU and the CCA proposals. The OFA's recommendations essentially acted as a bridge between the two producer proposals, suggesting a less authoritative marketing board, while supporting the CCA's recommendations on reciprocal escalating tariffs between Canada and the U.S.. Their proposal incorporated 8 recommendations, including:

1. the recommendation that present import ceilings be maintained until and unless other farm protection is in place;
2. agreement with the C.C.A., recommending that the mechanism of regulation should be a schema of reciprocal escalating tariffs. These controls should discourage imports to either country in volumes that depart widely from rather stable historical levels, and give much-needed stability to our smaller, more-exposed market;
3. the recommendation that for all off-shore beef, maximum allowable quotas should be set according to recent historical imports from each region, and that in addition, tariffs be set on the allowed quota at approximately 15% of Canadian domestic cost of production;

4. the recommendation to establish a comprehensive arrangement that will assist producers more realistically to plan production to requirements. This system should consist of at least 3 elements: (i) quotas controls must be placed on the primary production unit, the beef cow; (ii) establishing a marketing quota on calves, founded upon a base, of average marketing of recent years; and (iii) a marketing quota on slaughter animals for each producer;

5. the recommendation for an income stabilization plan at the two levels of cow-calf operators and feed lot operators, to guarantee a return that covers all or most of the current production to efficient producers; and

6. in order to establish quotas and administer disincentive discounts, it is recommended that marketing boards will be required at both the provincial and national levels. These boards would help neutralize the power of the few large packers over relatively small producers. We believe these aims will best be achieved by instituting a teletype auction through which all slaughter animals must be bought and sold. At the same time all sales should be according to the yield and grade basis (C.I.M.B.V., 1975; Brief number 93, pp. 14-15).

Certainly, these recommendations represent somewhat of a compromise position to the proposals presented by the NFU and the CCA. For example, recommendations for supply management were compatible with the NFU position, whereas the recommendation for imports at historical levels coincides with the demands of the CCA. However, since the NFU did not respond to the OFA proposal, while the CCA was openly opposed to their recommendations, this compromise was far from being publicly embraced by the elite producer participants. From the agribusiness perspective, it is possible that the major packers would support, or at least carefully consider, a teletype selling method of slaughter cattle, given the success of this type of marketing board in the hog industry. However, since the OFA supported a stabilization program only on a transitional basis to full supply management, it is unlikely that the Meat Packers Council of Canada, or its most influential members (e.g. Canada Packers Ltd., Swift Canadian Ltd., and Burns Ltd.), would support their overall proposal.

6.6 Recommendations and government legislation:

The Report of the Commission of Inquiry into the Marketing of Beef and Veal was submitted to the Government of Canada on April 13th, 1976, approximately 15 months

after its creation by an Order in Council. While the Report lists numerous recommendations throughout the document, including a summary of 18 basic conclusions and 19 main recommendations pertaining to the marketing of beef and veal, the intent of this discussion is to consider only those conclusions and recommendations that are directly relevant to the perceptions of the major themes associated with the beef crisis. The overall objective is to determine the "winners" and "losers" amongst the various competing components of the beef production system, in regards to the outcome of the government response. In the latter context, it is important to note that the federal legislative response to the Commission's Report was a long and slow process, and in fact only a few of the recommendations had been implemented during the decade following the conclusion of the Inquiry.

From the outset of their Report, the Commission completely rejected the principle of regulated domestic production for beef and veal, but emphasized the need for substantial changes in the marketing system in order to protect the position of the livestock producer against inequities (Mackenzie et al., 1976; p. iii). In their rejection of supply management, the Commission cited the likelihood of spiralling costs of production, e.g. due to the capitalization of transferable quotas and the start-up costs of a marketing board, and the negative effects of restricting imports to maintain the domestic price of beef, as being contrary to consumer interests. Furthermore, they argued that supply controls on production would inhibit the interregional and international flows of cattle, calves and beef, that have traditionally fostered the successful functioning of Canada's beef marketing system. The Commission did not find sufficient evidence to support the concept that a central allocative process for slaughter animals (as advocated by the NFU), would provide a more equitable, efficient or effective system (see Mackenzie et al., 1976; chapter 10). In fact, they concluded that the "real equity and income problems faced by beef producers should not be solved by controls on production" (Mackenzie et al., 1976; p. 108).

Having clearly rejected supply management as a viable option, the Commission instead chose to focus their recommendations upon improving the existing marketing

system, in an effort to enhance the bargaining position of producers in the price discovery process. The Commission specifically addressed two far-reaching developments in the beef marketing system; namely, the shift of producers selling direct to packers, and the movement by packers, wholesalers, and retailers to use more centrally processed beef. According to the Report, the first development raised important questions concerning the equity of the pricing system for cattle, while the second development had serious implications for effective information flow in the system and the survival of independent packers, wholesalers and brokers. These two developments tend to underlie the thrust of the Commission's numerous conclusions and recommendations, which focused upon modifications in the marketing system and changes in government programs, e.g. commercial policy, transport policy, and stabilization. These broad areas which were addressed by the major recommendations also correspond to the major thematic issues pertaining to the beef crisis as expressed in the briefs submitted to the Inquiry; specifically price, trade, methods of exchange, and stabilization.

Generally, the Commission addressed the cost-price squeeze by recommending changes in the methods of marketing live cattle, for either slaughter or for further feeding purposes. They argued that the producer would be in the best position to determine when to sell his/her animals for a fair price if there were modifications in the conditions of railgrade¹⁰ purchases of slaughter cattle, the introduction of teletype auctions for the purchase of slaughter cattle, and changes in the location, structure and operation of auctions for feeder cattle and calves. Since all of the major participants to the Inquiry were generally in favour of railgrade purchases, it was likely that this recommendation would be readily accepted into an improved beef marketing system.

¹⁰ When a producer sells his cattle on a railgrade basis, it is agreed that the producer will be paid a certain price depending upon the grade and weight of the carcass once the animal has been slaughtered.

Based upon the submissions to the Inquiry, the introduction of a teletype auction for the purchase of slaughter cattle would not be well received by a majority of the participants; in fact, only the OFA recommended such a method of exchange as a viable alternative, although in the latter context it should be noted that their proposal also linked production quotas with teletype marketing. While the Commission believed that the introduction of a teletype auction method would improve the bargaining position of the producer, not all producers were in favour of such a system. The CCA, for example, rejected this method of exchange, and would no doubt be against any alteration in the marketing system that restricted the producers ability to sell directly to packers. The NFU were also against teletype auction marketing, although in this case, from their experiences with the hog industry, they perceived that this marketing format failed to provide adequate countervailing power for producers against oligopolistic agribusiness firms. Even the Commission itself was not unanimous in its support of teletype auctions, as Hu Harries dissented from this recommendation. It is likely that the Commission recommended this method of marketing as a compromise solution, between the extremes of unrestricted free enterprise and supply management; however, given the diverse opinions expressed against the teletype auction method, it was not expected that the implementation of this recommendation would receive much support.

According to the Commission, one of the key benefits of the teletype auction method for slaughter cattle was that it would not undermine the traditional flows of feeder cattle in Canada or trade in feeder and slaughter cattle with the U.S.. In this case, both producers and packers would be able to retain their traditional access to U.S. markets and sources of supply; the producer would be free to sell their feeder or slaughter animals to U.S. importers, while the packers would be free to purchase slaughter cattle from the U.S.. While this provision for intracontinental trade of live animals might make the teletype auction method more palatable to conservative producer organizations or agribusiness interests, it also reflected the Commission's adherence to a broader trading policy that

considered ongoing multilateral trade negotiations. Furthermore, support for an open Canada-U.S. border coincides with their rejection of a supply managed system that would have had to be protected by rigid import controls.

In terms of the Canadian beef industries broader trading relationships, including the export and import of beef and veal, the Commission had to choose between two extremes: supply management and the elimination of imports, or complete free trade, unencumbered by periodic government intervention. According to the Report, the Commission rejected both of these extreme views, and recommended a compromise solution that attempted to please all parties concerned. Critical of the ad hoc nature of federal government action to external trading conditions during the beef crisis, the Commission concluded that the government could regulate imports and exports of cattle, calves, beef and veal, under the existing powers and authority of the Export and Import Permits Act as administered by the Federal Department of Industry, Trade and Commerce.

Under this Act, the government could allow cattle and/or beef to be placed on the Import Control List and have imports of the commodity placed under a general import permit. If the Canadian market was threatened by the continuation of such imports, the product would then be switched to an individual import permit basis, thereby providing the Ministry with the ability to restrict imports during a time of crisis (see Mackenzie et al., 1976; chapter 12). The government would subsequently be responsible for evaluating the benefits accrued to consumers via the continued influx of cheap global imports, versus the costs inflicted upon domestic cattle producers. In other words, in order to invoke the Act, the government would first have to judge when imports were threatening injury to the Canadian market.

While the Commission believed that their position towards commercial policy represented a compromise solution, based upon the elite submissions, not all participants of the Inquiry would be expected to embrace this recommendation. The continuation of continental and international trade of beef and cattle would certainly gather support from the

conservative producer lobby and agribusiness interests. More specifically, the Commission's recommendation also reflects the reciprocal tariff demands proposed by the CCA and the OFA.¹¹ The only participant that was against the continuation of continental and global trade was the NFU, who demanded the elimination of imports in order to facilitate the functioning of a central marketing agency. Depending upon the amount of imports, and the depressing effect that these would have on domestic prices, it is doubtful that the NFU would support such a recommendation.

The last major issue to be addressed by the Commission, albeit in an indirect manner, concerns government stabilization programs. Stabilization was not part of the terms of reference for the Inquiry, and in fact not investigated as part of the final Report; however, the Commission nonetheless addressed the issue in a special report that was presented to the federal government in July, 1975 (see Appendix J, Mackenzie et al, 1976). Intended, in part, as a response to the recent passage of stabilization legislation by the federal and various provincial governments, the Commission deemed it necessary to draw certain matters pertaining to stabilization, to the immediate attention of the federal government. In their special report, the Commission noted that all of the participating producers were unanimous in the view that cattle and calf prices during the months immediately preceding the Inquiry were significantly lower than their costs of production. The Commission further noted that while the majority of these producers were cow/calf operators, many feedlot operators also expressed similar views.

The fundamental problem surrounding stabilization involved the introduction of agricultural support programs by various provincial governments, that were directed at 'solving' the beef crisis. By the middle of 1975, there were 5 provinces: Alberta, Saskatchewan, Manitoba, Ontario and Quebec that provided government loans to producers

¹¹ Note that the Commission also recommended that the Canadian government should press for reciprocity with in U.S. in the tariff levels applied to all live cattle, calves, fresh and frozen beef and veal.

to hold back calves from immediate slaughter. Further, there were 3 provinces that had also introduced their own stabilization programs to support cow-calf operators, e.g. Ontario's Cow-calf Stabilization Act of 1975. The Commission's concerns were focused upon 2 aspects of these stabilization programs. First, they were concerned that unequal levels of support in the provincial plans could possibly distort the normal regional comparative advantage in cattle production in Canada. However, they also recognized that in the short term, stabilization was indeed necessary to minimize the immediate problem of a major difference between costs of production and the current prices.

Noting these concerns, the Commission presented conclusions and principles, as opposed to recommendations, in their special report. Intended to provide direction for future Federal stabilization policy, they identified 5 specific areas in need: (i) the need for an income stabilization program that was national in scope; (ii) the need to eliminate top-loading by provincial governments, and the return to comparative advantage; (iii) the need to design support programs that would stabilize income but not increase production; (iv) the need to structure payments to the size of the production unit, providing a cut-off point for assistance; and (v) that stabilization should directly apply only to slaughter cattle (see pp. J 9 - J 10, Mackenzie et al, 1976). Commission member Hu Harries dissented from these suggestions, arguing that Federal stabilization plans have historically supported the large producer, and that in the current beef crisis it was the small scale producer (typically the cow-calf operator) who required government assistance.

The Commission's support for a stabilization plan completed their policy strategy to resolve the beef crisis of the mid 1970s. Improvements in grading, the introduction of teletype auctions, and a semi-regulated commercial policy would ensure a steady, reliable and inexpensive source of beef to the Canadian consumer, and also improve the market price received by producers by enhancing their bargaining position. A stabilization program would supplement these changes by stabilizing producers returns and consequently helping to maintain viable farm units. Stabilization, without leading to supply management, also

reflects the interests of the CCA, farm agribusiness, and to a lesser degree the OFA, as well as being acceptable to the Meat Packers Council of Canada. Only the NFU was openly against the proposed federal stabilization plan, since it would simply serve to institutionalize a declining rate of return during a period of chronic depressed prices. Furthermore, it is doubtful that the NFU would support stabilization, since the 'recommendation' would not lead to the formation of a marketing board.

In terms of federal government response to the recommendations of the Report, it is important to consider three key components of the Commission's findings: teletype auctions and the dissemination of market information, import restrictions, and stabilization. First, a teletype auction method of marketing has yet to be introduced in Alberta, Saskatchewan, Manitoba and Ontario, although in recent years there has been some experimentation in computerized auctions (Wallace and Smith, 1986). Terminal markets continue to decline in importance, while direct sales continues to be the preferred method of exchange amongst most producers, particularly in western Canada. The CANFAX market information system also continues to function, albeit serving only its members, while the federal government began to provide free daily livestock markets information, beginning on Nov. 1st, 1978.

Restrictions on the trade of live cattle were essentially eliminated in both Canada and the U.S., on August 7th, 1975. Tariff regulations have also been modified since the beef crisis, essentially resulting in reciprocity in tariff values. Consequently, except for temporarily imposed restrictions on live animals due to outbreaks of disease (e.g. brucellosis) or the use of questionable growth hormones (e.g. DES), trade in cattle and calves has basically been unrestricted between Canada and the U.S. throughout the late 1970s and the 1980s. In contrast, an examination of the Livestock Markets Review (1973-1990) indicates that trade in beef (fresh, chilled, and frozen beef and veal) has been subjected to various import restrictions since the beef crisis. The regulation of beef imports, however, eventually followed the recommendations of the Report.

At the end of 1975, both Canada and the U.S. terminated import quotas on dressed beef and veal, but by October 1976, both countries, with Canada following the U.S., reintroduced import restrictions that distorted trade until 1978. In March, 1978, the Ministers of Agriculture and Industry, Trade and Commerce announced a procedure to control imports of beef and veal. Under this procedure, which was subject to a 3 year trial period, quotas would be established under the Export and Import Permits Act, in relation to the average level of imports between 1971-1975, adjusted for changes in domestic beef consumption and in the level of cows and heifers slaughtered. Before the termination of the trial period, legislation was introduced by Agriculture Canada in November, 1980, which eventually institutionalized the Ministers authority to establish quotas under the Meat Import Act of 1981 (Skogstad, 1987). With this legislation, the federal government has since been able to successfully restrict imports into Canada, albeit allowing for a minimum access commitment under the GATT of approximately 145 million lbs. of beef annually.

With the amendment of the Agricultural Stabilization Act (1958), on July 30th, 1975, the federal government attempted to stabilize the returns to cattle producers during the beef crisis.¹² The 1975 amendments corresponded with Bill C-50, resulting in major changes in the calculation of support payments; involving a shorter base period from 10 to 5 years, support level increased from 80 to 90 percent, a built in cost-of-production clause to reflect changes in cash costs in the current year, and the elimination of top-loading by participating provincial governments. Slaughter cattle has traditionally been designated as a commodity eligible for stabilization payments, which has essentially excluded cow-calf operators from support. However, in January, 1977, the Minister of Agriculture finally extended support to cow-calf operators. Under this program, producers that were eligible to register up to 100 cows during the spring of 1977, were able to benefit from a higher support rate of 95 percent of the previous 5 year average market return, and collectively

¹² An Act to amend the Agricultural Stabilization Act, Chapter 63, 23-24 Eliz. II.

received a total payment of \$26 million (Livestock Market Review, 1978). Despite a modest sum paid out in 1978, stabilization payments to producers of slaughter cattle were extremely limited throughout the late 1970s and early 1980s. In fact, in most years Agriculture Canada announced that no stabilization payments would be made, reflecting a market price that was constantly higher than the support price. The evolution of stabilization of cattle prices culminated in 1987, when the federal Minister of Agriculture and his provincial counterparts finally agreed upon a comprehensive tripartite stabilization program (Livestock Market Review, 1987), thereby entrenching stabilization in the Canadian beef industry.

6.7 Summary and conclusions:

In view of the perceptions expressed in the 113 submissions to the Inquiry, the Report's recommendations basically represents an attempt by the Commission to address as many concerns as possible, in an effort to find a satisfactory solution to the beef crisis. In some ways, one must agree with the Commission's interpretation that their recommendations collectively represents a compromise response to the numerous and divergent views presented during the Inquiry. For example, while the Commission clearly rejected a marketing board concept, and supply management in particular, they nonetheless also presented various suggestions to modify and improve the beef marketing system; specifically, the encouragement of railgrading, the re-establishment of continental and international trade (albeit within quota restrictions), the introduction of a teletype auction method of marketing, improved dissemination of market information, and stabilization on a stop-loss basis. There is little doubt that these recommendations were intended to help enhance the bargaining position of the small scale producer and stabilize producer returns.

Upon closer examination, however, this assessment as a "compromise" solution, may in fact be misleading in terms of determining the various "winners" and "losers" in the

policy-making process. Given the diversity of perceptions and recommendations presented during the Inquiry, it is to be expected that any proposed solution would consist of certain elements that would be unacceptable to some of the participants. Conversely, one would expect that every participant would support certain policy proposals. In this context, the conservative producer lobby (the CCA and their affiliates), farm agribusiness, and agribusiness interests were generally supportive of expanding railgrade sales, the return to a relatively unrestricted continental and international pattern of trade, the improved dissemination of market information, and stabilization on a stop-loss basis. Furthermore, these recommendations, and others, would most likely be acceptable to organizations representing both livestock markets and consumers.

In contrast, the Commission's clear rejection of supply management was contrary to the expressed demands of the NFU, the OFA, l'Union des Producteurs Agricoles, and the Saskatchewan Federation of Labour. Arguably, there are a number of recommendations that were directed at appeasing the pro-marketing board lobby, such as the inclusion of teletype auctions to enhance the bargaining position of producers, the eventual removal of direct sales, the introduction of stabilization, and possibly the application of import quotas. However, given the nature of supply management as articulated in the NFU proposal, in relation to production quotas, methods of exchange, and foreign trade, it is doubtful that the Commission's recommendations would be acceptable to the pro-marketing board lobby. The only exception in this case would be the OFA, given their proposed "scaled-down" version of an acceptable marketing board system.

While it is suggested that the Commission's recommendations tend to better reflect the interests of the conservative producer organizations, farm agribusiness, and agribusiness firms as opposed to the pro-marketing board lobby, the examination of the legislative response to the Report leaves little doubt as to the "gainers" and "losers" in the policy-making process. The failure to substantially modify the marketing system in the 4 major cattle producing provinces perhaps best reflects the perpetuation of the status quo.

Teletype auctions have yet to be introduced, direct sales continue to be the preferred method of marketing to large scale western based producers, and other marketing alternatives such as terminal markets and country auctions, continue to decline or stagnate. Even in terms of legislation, there have been few modifications in the marketing system. While the government has had the authority to restrict imports of beef under the Meat Import Act of 1981, the Act has rarely been invoked, regularly allowing imports at historic 1971-1975 levels. Further, while stabilization legislation has become entrenched in the Canadian beef industry, with the 1987 Tripartite Agricultural Stabilization Plan payments to producers of cattle and calves have been negligible.

In conclusion, the beef marketing system that emerged from the beef crisis of the mid 1970s clearly reflects the interests of the participants advocating the maintenance of the status quo. While the legislative response introduced policies to stabilize producer prices and restrict beef imports, these modifications are minor in comparison with the structure of a beef industry that would have functioned under a supply managed marketing board, if the state had chosen to take that policy direction. In this context, it is argued that the legislative response has clearly reflected the interests of the conservative producer lobby, farm agribusiness, and agribusiness firms. An overall assessment of the policy-making process, therefore, indicates that the combined efforts of conservative producer organizations and agribusiness interests were successful in influencing the state to re-establish a modified free enterprise system in the Canadian beef industry.

Chapter 7: A critical evaluation of the agricultural policy-making process in the dairy and beef livestock sectors

7.0 Introduction:

The purpose of this chapter is to critically evaluate the evolution of institutional arrangements in the dairy and beef livestock sectors, by examining the policy-making process in relation to the changing structural relationships within the agri-food system. The discussion is organized into two parts, initially providing a reassessment of the policy-making process, and then a brief examination of the evolving structural relationships between agriculture and agribusiness in the dairy and beef livestock sectors. Part 1 deals specifically with the process of conflict resolution in each crisis, in which the stages of mobilization, confrontation and social control are examined within the context of the broader epistemological perspectives, that were discussed in chapters 2 and 4. The theoretical interpretation is primarily based upon the information derived from the content analyses in chapters 5 and 6. Using the conflict resolution model (see figure 4.2) as the conceptual framework, the analysis considers each stage in the process within the pluralist, elite (corporatist) and structuralist theoretical perspectives of the state (see table 4.1). The intention of this analysis is to present a broad, yet critical interpretation of how each ontological model helps explain the outcomes of policy.

In part 2, the discussion addresses the broader structural relationships that have evolved since the legislative response to each crisis. In this case, the focus is on the ability of agribusiness firms to exert control over agriculture in both agri-food sectors. Particular emphasis is placed on the legitimacy of the policy outcomes; specifically, contrasting the relative levels of stability within the dairy and beef livestock sectors, since the resolution of each respective crisis.

7.1: Theoretical explanations to the agricultural policy-making process:

From the pluralist perspective, the dairy crisis could easily be defined in terms of the variety of problems that had been afflicting the industry since the late 1950s. The crisis, which represented an aberration in an otherwise well functioning system, was based upon a set of problems that were largely affecting the production sector, such as low prices, price differentials, differential access to quota, producer-processor disagreements over price negotiations and butterfat testing, inefficiencies in transportation, and changing consumption patterns. These issues have typically been referred to in the literature as being characteristic of the crisis (Hennessey et al., 1965; Clarke and Brethour, 1966; and Hurd, 1982), and many were frequently cited as problems during the Inquiry. For example, issues pertaining to "the cost-price squeeze", "the production and marketing system", "government policy" and "the method of exchange" were all topics presented in more than 50 percent of the written briefs submitted by producers (see tables 5.13 - 5.16). While most of these issues were of equal concern to dairy producers, there were two particular problems that were fundamental to the dairy problem: (i) surplus fluid milk that was depressing the price of manufacturing milk, and the associated 'closed shop' status of the fluid market; and (ii) constant disagreements between producers and the processors involving disputes over price and quota allocation. The combined problems of low prices and deteriorating producer-processor relationships were fundamental to a producer movement in search of countervailing power.

With producers unable to organize into a single marketing agency, the state was forced to intervene with a provincial inquiry. Broad in its terms of reference, the Inquiry sought to maximize participation in the policy-making process by soliciting input from throughout the dairy industry, including local dairies, consumers and government 'experts' (see table 5.11). To ensure the input of views from all regions of the province, the Committee of Inquiry held public hearings in 19 major urban centres across the province.

Furthermore, the structure and outcome of the hearings, in which 155 participants submitted written briefs, followed the democratic principles that guided the inquiry. With a large number of participants expressing their views, the Committee attempted to balance these concerns within the broader goals of a stable agricultural economy and consumer interests.

Based upon the qualitative content analysis of solutions and recommendations presented by the participants submitting written briefs to the Inquiry, a clear majority of producers were in favour of increasing state intervention; a view that was shared by both individual producers and the major dairy producer organizations. Agribusiness firms were largely indifferent to a single marketing board, and along with consumers were interested in having equal representation within a new institutional system. In fact, most dairies seemed more concerned with protecting their own interests through the preservation of territorial boundaries (see table 5.14). The state's response, by legislating the institutional structure that was necessary to develop a marketing board, represented a victory for producer efforts to countervail the exploitive tendencies of the processors. The legislative response also reflected the provincial government's commitment to supporting the family farm, particularly the efficient producer who had invested large amounts of capital into their dairy operations, and who produced top quality milk for the fluid market. The removal of territorial boundaries, and the encouragement of rationalization for the production sector were justified on economic-efficiency grounds, for the sake of consumers, and in the name of progress. In terms of the small scale producer and small dairies unable to compete under a new institutional structure and competitive environment, a benevolent state provided financial assistance to ease the transition into non-dairy sources of employment (e.g. the plant consolidation program).

From the elite perspective, chronic low prices (see table 5.22) and a breakdown in the marketing and production system (see table 5.23) seemed to be the primary issues of contention. Conflict was a persistent feature of the dairy industry, particularly between

producer groups and breed organizations, and between the major dairy producer groups and agribusiness firms (see tables 5.18 and 5.27). The fundamental failure of agrarian efforts to create a marketing plan on a voluntary basis was due to the inability of the OWMPL and the OCMPMB to reach an agreement with the other producer organizations. Exacerbating the crisis were the processors that had been excluded from the policy-making process undertaken by the provisional marketing board (see Chapter 5, section 5.2). Responding to the request by the executive's of the provisional board, the state was forced to intervene with the Committee of Inquiry.

The structure and format of the Inquiry reflected an elite bias, in terms of the preliminary hearings between the Committee and the major producer groups and agribusiness associations. The issues raised in these preliminary hearings tended to reinforce the Committee's own view that the method to resolve the crisis involved moving towards greater economic efficiency. The Committee's task of recommending solutions to the crisis was especially facilitated by 2 specific 'elite-alliances'. A "formal" alliance amongst producer groups, represented by the joint proposal of the OWMPL and the OCMPMB, and an "informal" alliance between the Ontario Federation of Agriculture and the OMDA, who expressed similar concerns towards the need for rationalization in the production sector (see Chapter 5, section 5.5.8). Given the compatibility of viewpoints expressed by these 4 elite participants, there was considerable common ground for the concept of a marketing board that would facilitate the rationalization process. This particular solution to the crisis was also generally supported by the agricultural-economists participating in the Inquiry (see Chapter 5, section 5.4.7).

The overall outcome of a new marketing board structure clearly reflected the interests of the major elites. In this case, both the major producer organizations and agribusiness associations approved of the recommendations and the legislative response. When the OWMPL and the OCMPMB were replaced by the OMMB, a 'corporatist' bargaining process involving one producer organization and agribusiness firms was

formally institutionalized. The elimination of territorial boundaries, and the subsequent rationalization of the processing sector, merely reflected the interests of the large scale processing firms who were members of the OMDA, as opposed to the small local dairies participating in the Inquiry.

From the structuralist perspective, the problems afflicting the dairy industry essentially involved a severe crisis in the production process. In this case, the failure of the 4 producer groups to amalgamate into a single marketing organization was largely a result of fluid producer's unwillingness to relinquish control of their privileged economic position, vis-a-vis quotas (see Chapter 5, section 5.2). The failure to organize into one marketing agency, however, was only one issue amongst a larger structural problem facing the dairy industry.

At the production level, many fluid milk producers were being treated indiscriminately in terms of quota allocation, fluctuations in quota size, and differentials in transportation costs, which were collectively having a negative impact on producer incomes, regardless of their economic status. Combined with a lack of control over the direction and utilization of surplus fluid milk, the decreasing prices received by these producers were having an impact upon their ability to increase production and maintain their capital investment. Large scale producers of manufacturing milk were also unable to expand production, nor was there the incentive to invest capital in new technology, such as bulk tanks, in a marketing system that provided them with marginal or declining incomes (see table 5.7). In simple terms, large scale producers from both milk sectors were demanding a new institutional environment that would facilitate the adoption of new technology, promote greater economic efficiency, and presumably lead to higher producer incomes. One of the chief beneficiaries of rationalization in Ontario of the production sector were the large scale fluid processors, who were guaranteed a stable supply of top quality milk, and the freedom to utilize the raw product to their best advantage in multi-product plants. While this rationalization initially took place in Ontario, it has since occurred

throughout the dairy production process in all provinces across Canada (see Sundstrom, 1984). Although discussed by only a few participants to the Inquiry, rationalization would facilitate a reduction of agricultural subsidies that were supporting small scale economically inefficient production. Combined with the rising costs of storing dairy surpluses (butter and milk powder), the national dairy policy was becoming a burden on the Federal treasury (see Mitchell, 1975).

In the processing sector, agribusiness firms were experiencing similar problems, specifically in terms of outdated institutional arrangements such as territorial boundaries, formula pricing and a Milk Industry Board that was perceived as being producer biased (see Chapter 5, section 5.5.5). Collectively, these problems were limiting the ability of processors to consolidate their operations, inhibiting their ability to achieve greater economic efficiencies, nor providing them with a fair voice in the price negotiation process. In the latter case, agribusiness firms were interested in establishing a new producer-processor relationship, in which they were guaranteed greater input into the price negotiation process, or at least an impartial method of arbitration. In the former case, this involved the need to remove territorial boundaries, and the freedom to let the 'free market' determine the rationalization of the processing sector.

In view of these problems throughout the production process, the state was forced to intervene and bring stability to the industry, and re-establish reasonable profits to both producers and agribusiness firms. In the production sector, the solution to the crisis involved resolving class conflict amongst producers. On the one hand, large scale producers required an institutional structure that could maintain the privileged economic status of the fluid milk producer, and yet also ensure access for the 'qualified' manufacturing milk producers into the more lucrative fluid market. On the other hand, the state also had to address the problem of inadequate incomes that were received by a majority of small scale producers, and the limited potential for economic expansion amongst this segment of the production sector. The solution was to introduce a policy

framework that could facilitate the expansion of large scale production, while controlling the damaging forces of over production. In this case, the introduction of production quotas and policies that addressed the contributing problem of 'excess human resources', was the solution to the dairy crisis.

From the structuralist perspective, the overall outcome of the policy-making process did not alter the fundamental structural relationship between agriculture and agribusiness in the traditional sense; that is, dairy producers continued to be farmers, and processors continued to be engaged in 'agribusiness' activities. However, the legislative response did represent a 'victory' of sorts for both large scale producers and large scale processing interests. In this case, the resolution of the crisis can be viewed as a "win-win" outcome, reinforcing the mutual interests of capital in the production and processing sectors of the dairy industry.

With respect to the beef livestock industry, the resolution of conflict did not result in the formation of a marketing board; however, the 3 interpretations of the policy-making process illustrate some significant contrasts and similarities. From the pluralist perspective, the beef crisis could be described as an extreme aberration in the traditional 'boom' and 'bust' cycles in beef production, that was affecting producers and consumers. At one end of the production process, beef producers were experiencing a severe cost-price squeeze, that was largely brought about by a combination of chronic low prices and the skyrocketing costs of inputs, such as feed grains. Exacerbating the crisis was reduced access to traditional U.S. markets due to the imposition of quota restrictions. On the other end of the production process, consumers were experiencing a substantial rise in beef prices at the retail counter, as a direct consequence of the problems in the production sector. The Federal government initially responded to these problems by implementing a sequence of tariffs (see table 6.10), to alleviate the crisis. The severe cost-price squeeze experienced by beef producers continued to persist throughout 1974, despite efforts by the state to ameliorate the crisis. Eventually, in consideration of the public outcry against the mass slaughter of

calves by Québec dairy producers, the Federal government was forced to intervene with a Royal Commission of Inquiry.

The federal inquiry was given a mandate to examine the marketing system in the beef and veal industries in Canada. During the course of the Inquiry, the Commission attempted to maximize participation in the policy-making process by soliciting input from all segments of the beef industry, including agrarian organizations, wholesalers, the major retailers and consumer groups (see table 6.12). To ensure the input of views from all regions of the country, the Commission of Inquiry held public hearings in 9 provinces across Canada (see table 6.11 and figure 6.2). A total of 113 written briefs were submitted to the Inquiry, expressing a variety of views and opinions in regards to resolving the beef crisis. The Commission was particularly concerned with improving the beef marketing system, in order to improve returns to producers and to ensure fair retail prices to consumers.

Based upon the 113 briefs submitted to the Inquiry, the overall majority of participants were in favour of resolving the crisis by improving the free enterprise marketing system with minor modifications (see table 6.21). The majority position to maintain the status quo was largely the function of the producer participants who were unable to agree upon a marketing strategy. Producer briefs were clearly divided between maintaining the status quo and introducing a beef marketing agency. Furthermore, this division was also manifested geographically, in terms of western 'ranchers' in Alberta advocating the rights of individuals and the benefits of the free enterprise system (see figure 6.4). Beyond the farm gate, there was general agreement that the beef crisis was temporary, and that the marketing system required only slight modifications.

With beef producers unable to reach a consensus on a marketing board system, the Commission had no choice but to reject supply management as a marketing option, and recommended minor changes to an otherwise well functioning system. This involved recommending the introduction of a teletype auction method of marketing and the improved

dissemination of market information. With a legislative response that included policies to stabilize the price of slaughter cattle, and the eventual implementation of quotas to restrict the the importation of boneless beef, the state was clearly attempting to support production on the family farm, while ensuring an adequate supply of cheap beef to the consumer.

From the elite perspective, the beef crisis was partly precipitated by the demands from Quebec dairy producers for the state to intervene. As the Inquiry unfolded, the crisis also represented a struggle between the NFU and the CCA (and affiliates) to dictate the type of production and marketing system that would best serve the interests of their respective memberships (see Chapter 6, section 6.4.7). The agribusiness sector, represented by the Meat Packers Council of Canada, were not involved in the initial demands for state intervention, and in fact did not even recognize that the industry was in a severe state of crisis in their submission to the Inquiry.

The structure and format of the Inquiry reflected an elite bias, as illustrated in the initial hearings that were held with the major producer and agribusiness associations. During the first 2 hearings, which notably excluded the participation of the NFU, the 'conservative' associations represented were able to express views that reinforced the Commission's own anti-marketing board perceptions. By the completion of the hearings, the Commission had to contend with the problem of choosing between the NFU and the CCA as the legitimate representative of the majority of beef producers. In this case, the credibility of the NFU was diminished somewhat by 'unreasonable' demands submitted by various local representatives. Although the NFU position was supported by the Saskatchewan Federation of Labour, a majority of elites, including a Member of Parliament and the Meat Packers Council of Canada, were in favour of implementing minor modifications to the marketing system that existed at that time. Further undermining the NFU demands for a marketing agency was the proposal from the Ontario Federation of Agriculture, whose recommendations incorporated ideas from both the NFU and the CCA.

The recommendations from the Commission clearly established the CCA (as opposed to the NFU) as the legitimate representative of beef producers in Canada (see Chapter 6, section 6.6). The state's support for modifications in marketing, particularly the expansion of CANFAX, was in direct response to requests from the CCA. Although the Meat Packers Council of Canada did not present any clear recommendations to the Commission, the rejection of a marketing board system enabled their members, as well as the major retailers, to retain access to traditional marketing channels and foreign sources of supply.

From a structuralist perspective, there was some uncertainty towards the existence of an actual crisis in the beef livestock industry. The situation in the early 1970s was generally believed by agribusiness firms and large scale producers to be short-term in a temporal context, while the severest impact appeared to be experienced by small scale cow-calf operators. Large scale producers, typically involving ranchers and feedlot operations, were also experiencing the negative impacts of a severe cost-price squeeze, but their situation had yet to reach crisis proportions. Agribusiness firms engaged in the meat packing and processing sector, and the major supermarket chains, were essentially maintaining their profit margins, throughout the 'crisis'. The state's decision to intervene with a Commission of Inquiry was precipitated by a need to address the problems experienced by the production sector, as much as the need to ameliorate the growing concerns amongst consumers towards high retail prices.

At the production level, the principal issue of contention involved the inadequate incomes of small scale cow-calf operators. A key facet of the problem concerned the differential access to the various marketing linkages and trading relationships that were available to producers. In this case, small scale producers were demanding the elimination of direct sales, the establishment of permanent import restrictions, and the development of a marketing agency that would ensure producer returns which reflected the costs of production, and hopefully lead to supply management. Large scale producers were satisfied

with the existing marketing and production arrangements, albeit recognizing the need for some minor modifications. Key aspects of the marketing system were direct sales and access to the U.S. market, the maintenance of which were critical to the economic viability of the feedlot industry.

Agribusiness firms involved in meat packing and slaughtering activities, preferred to engage in contractual agreements with large scale producers, and were able to manipulate the market place, which typically involved exploiting the small scale producer in the terminal markets or local country auctions. An open border policy also enabled the major packers, and other segments of the agribusiness sector, to access cheaper and more reliable sources of specialty cuts and boneless beef.

In view of these problems, the state rejected the demands of the NFU and accepted the CCA's recommendations for modifications to the existing free enterprise marketing system. The rejection of supply management illustrated the Committee's decision to consider 'volume of production' over the 'numbers of producers' (see Chapter 6, section 6.4.7). Furthermore, this decision clearly illustrated the state's preference to serve the interests of large scale beef producers, as opposed to the small scale inefficient producer. The implementation of a stabilization program, which was initially introduced on a provincial basis, also tended to support the interests of the large scale efficient producer.

The legislative response also illustrated the state's support of the agribusiness sector. The continuation of direct sales and the stabilization of slaughter cattle were to benefit of the large scale producer, but also to the large agribusiness firms engaged in activities throughout the production process. These firms would benefit by a constant and reliable throughput of cattle, that could be obtained through their preferred marketing channels. The state's efforts to improve the dissemination of marketing information, and the eventual introduction of import restrictions, were an attempt to balance the needs of producers vis-a-vis the requirements of the agribusiness sector.

From the structuralist perspective, the overall outcome of the policy-making process did not alter the fundamental structural relationship between agriculture and agribusiness. Agribusiness interests continued to access all marketing channels and sources of production, while focusing their attention towards making profits in the processing sector. Although generally exploitive towards producers, the maintenance of the status quo represented a 'victory' of sorts for large scale producers, who were able to retain their direct sales with agribusiness firms. In this case, the maintenance of the status quo, albeit with minor modifications, reinforced the mutual interests of capital in the production and processing sectors of the beef industry, which had evolved under a free enterprise system.

In summary, this interpretation of the policy-making process in the dairy and beef livestock sectors illustrates that there are elements from the 3 ontological models that help explain the resolution of conflict in each crisis. In many respects the resolution of conflict in each agri-food industry reflected the prevailing agricultural-economic interpretation for the development of a marketing board. In the dairy industry, there was a consensus between the 4 major producer groups, while in the beef industry there was clearly a difference of opinion amongst the producers. In the latter case, the role of western based free enterprise ideology, was clearly evident in the submissions from Alberta.

However, the ideological differences or a lack of consensus amongst producers only provide a partial explanation for the outcomes of policy. Each policy-making process was influenced by key elite participants, and to some degree the recommendations from each Inquiry were also influenced by the ideological philosophy espoused by the respective Committees. The influence of producer organizations, such as the OWMPL and the Ontario Federation of Agriculture in the dairy industry, and the CCA and the Ontario Federation of Agriculture in the beef livestock industry, and the role of agribusiness organizations, such as the OMDA and the Meat Packers Council of Canada, were clearly significant in shaping

the legislative response. It is difficult to measure, for example, the significance of S. G. Hennessey as the Chair of the Inquiry, to the development of the OMMB. Notwithstanding the importance of either specific individuals or organizations, the elite interpretation does not sufficiently address in whose interests did each of these organizations represent. The acceptance of the "volume of production" over the "number of members", was evident in both Inquiries, in the dairy industry involving the OMDA, and in the beef livestock industry involving the NFU.

The structuralist approach provides a more comprehensive explanation in terms of the influence of large scale producers and large scale agribusiness firms in dictating agricultural policy. In both outcomes of policy, the interests of large scale producers and large scale agribusiness were addressed by the development of a new marketing board structure in the dairy industry, and the maintenance of a modified free enterprise system in the beef livestock industry. In consideration of the benefits to both the production and agribusiness sectors in each industry, the role of the state must be viewed as advancing the interests of the dominant class as a whole, i.e. both capitalist farmers and agribusiness firms, as opposed to responding to disadvantaged groups (see Goss et al., 1980; and Cloke and Little, 1987).

7.2 Legitimation and the evolving structural relationships:

In order to appreciate the broader implications regarding the differential development of policies and institutional arrangements in the dairy and beef livestock sectors, the discussion turns to a brief examination of the agriculture-agribusiness structural relationships that have evolved since the resolution of conflict in each crisis. The discussion focuses upon the effectiveness of policy outcomes, by considering the levels of rationalization and economic stability that have occurred in each industry since the initial

legislative response. From the outset, it is noted that the dairy industry in Ontario has been relatively 'crisis free' since the adoption of supply management on a national basis.¹

Under the regulation of the OMMB, the dairy industry in Ontario has undergone substantial rationalization in both the production and processing sectors. At the production level, the rationalization of dairy farms between 1961-1986 has been dramatic, basically involving the elimination of the small dairy farm, and the creation of an economically viable production sector (table 7.1). Associated with the 'exit' of almost 60,000 dairy farms during this 25 year period, has been the establishment of a core of producers who milk between 18-47 cows, and ship between 50,000 - 500,000 litres of milk annually (table 7.2). While OMMB policies encouraging greater economic efficiencies have facilitated this rationalization, such as the discontinuation in the marketing of milk in cans in 1977, in recent years the rate of consolidation has levelled off.

Table 7.1: The number of farms in Ontario reporting dairy cows, 1961 and 1986

Dairy Cows	1961	1986
1-17	52,545	3,628
18-47	19,177	7,259
48-77	970	2,485
78-122	157 ¹	514
123-177	-	98
178+	-	41
TOTALS	72,849	14,025

¹ represents subtotal for categories 78-92 and 93+

Source: Census of Agriculture, Ontario (1987) and Hennessey et al. (1965)

¹ There have been two minor exceptions in Ontario, dealing with the retail price of milk in the mid 1970s and the misallocation of milk supplies under the Plant Supply Quota system in the early 1980s.

Table 7.2: Distribution of licenced milk production units by annual level of milk shipments and number of cream producers, in Ontario, 1975/76, 1977/78¹ and 1987/88

Annual Milk Shipments (litres)	1975/76	1977/78 ¹		1987/88
		Number of Producers		
50,000 or less	1,437	270		129
50,001 - 250,000	11,153	9,445		5,513
250,000 - 500,000	1,807	1,911		3,083
500,001 - 750,000	115	135		331
750,001 and over	20	31		86
Totals	14,532	11,792		9,142
No. of Cream Producers	3,043	2,739		1,795

¹ As of October 31st, 1977, the marketing of milk in cans has been discontinued.

Source: OMMB (1985, 1987 and 1989)

This rationalization process has also taken place across Canada, resulting in a domestically viable dairy industry, whereby the largest segment of producers enjoy a sales volume of over \$100,000.00 (table 7.3). In comparison with the United States, however, Canada has a distinctively larger proportion of small operations, and a much smaller proportion of the large scale 'mega farms'. These differences suggest that while the dairy industry in Canada may be domestically viable, Canadian dairy producers would find it difficult to compete against their larger U.S. counterparts.

Rationalization has also been a distinctive characteristic of the dairy processing sector. The removal of territorial boundaries has been very effective in reducing the number of fluid processing plants and facilitating economies of scale. The number of fluid processing plants has declined from approximately 500 during the mid 1960s, to less than 50 by the late 1980s. In 1988, the largest 15 plants processed 83 percent of the fluid milk processed in Ontario (figure 7.1). In the industrial milk sector, a variety of policy

Table 7.3: The number of dairy farms by sales volume for Ontario, Canada, and the United States

	Ontario ¹		Canada ¹		United States ²		U.S./Can ³ Ratio
	Number	Percent	Number	Percent	Number	Percent	
Total Farms	11,185	100	34,785	100	162,555	100	4.67
Under \$2,500	157	1.4	599	1.7	1,187	0.7	2.0
\$2,500-4,999	128	1.1	531	1.5	1,330	0.7	2.5
\$5,000-9,999	248	2.2	947	2.7	2,990	1.8	2.4
\$10,000-24,999	660	5.9	2,672	7.7	14,221	8.7	5.3
\$25,000-49,999	1,194	10.7	4,907	14.1	27,679	17.0	5.6
\$50,000-99,999	3,284	29.4	10,954	31.5	50,019	30.8	4.6
\$100,000-249,999	4,852	43.4	12,236	35.2	49,833	30.7	4.1
\$250,000-499,999	589	5.3	1,698	4.9	10,881	6.7	6.4
\$500,000+	73	0.7	241	0.7	4,415	2.7	18.3

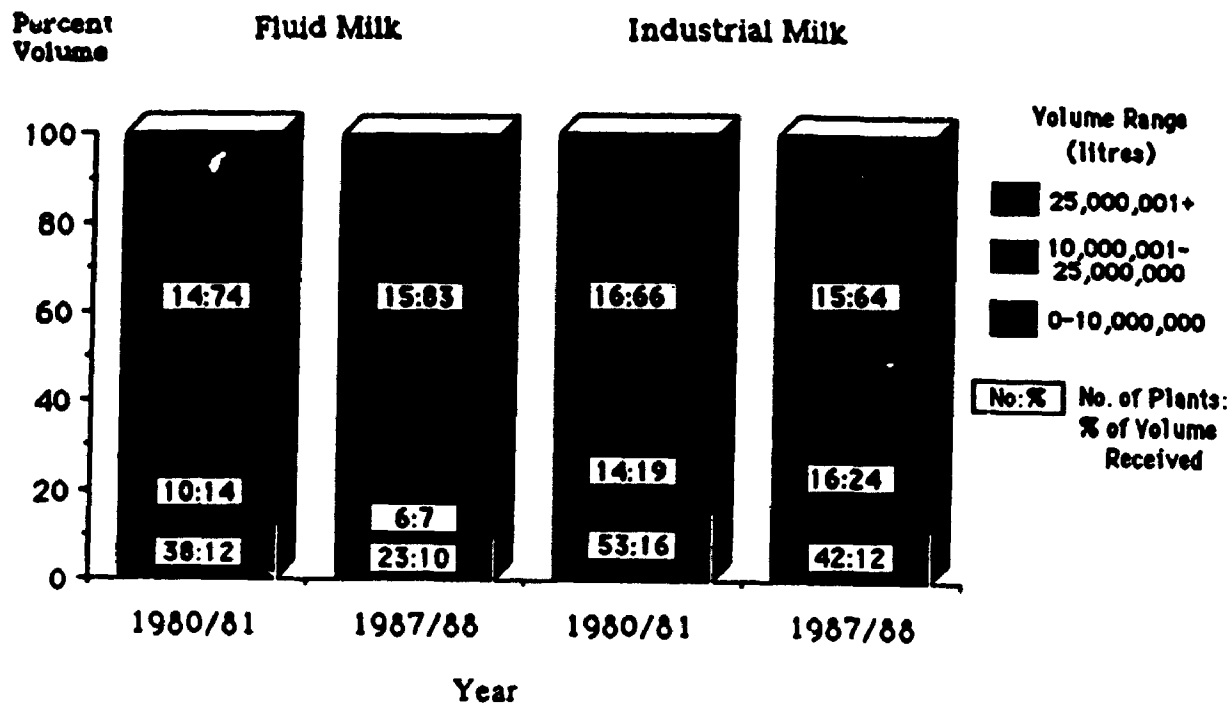
¹ Data is from 1986 Census

² Data is from 1987 Census

³ Ratio is U.S. dairy farm numbers/Canadian dairy farm numbers

Source: Census of Agriculture, Canada (1987); Census of Agriculture, Ontario (1987); and Census of Agriculture, United States (1989)

Figure 7.1: Distribution of Ontario dairy processing plants by volume of milk received, fluid and industrial milk plants, 1980/81 and 1987/88



¹ Percentages may not total 100.0 due to rounding

Source: OMMB (1986 and 1989)

initiatives by the OMMB has resulted in a slower rationalization process, than in the fluid milk sector (see Chiotti, 1987). As a consequence of this largely unrestricted rationalization process, agribusiness ownership has become highly concentrated in both the fluid and industry milk sectors in Ontario. The most recent statistics available indicate that the amount of milk received by the top 4 firms engaged in the processing of fluid milk, had increased from 54.1 percent in 1969-1970 to 82.7 percent by 1985. Similarly, the top 4 firms engaged in the manufacture of industrial milk products (e.g. cheese and butter), had increased their control over milk volumes from 31.3 percent in 1969 to 62.4 percent by 1985 (see Lane and Fox, 1981; OMMB, 1987). Presently, it is estimated that Ault's Dairies (a division of Labatt's Ltd.) controls over 50 percent of the Ontario fluid milk market.

In economic terms, it is generally recognized that the dairy production sector in Canada have enjoyed net incomes that are amongst the highest of all types of agricultural production, since the adoption of supply management on a national basis. In comparison, it is generally recognized that cattle producers have experienced fluctuating and low incomes since the beef crisis of the mid 1970s. Income statistics collected from the Ontario Farm Management Accounting Project clearly supports these general perceptions towards each industry (table 7.4). While the sample of farmers recorded by the project tend to reflect those that are amongst the most efficient in their sector, the statistics are nonetheless useful in identifying incomes trends in the Ontario dairy and beef livestock sectors. Since the establishment of the OMMB in 1965, dairy producer incomes have steadily risen, and have been relatively stable during this period. In contrast, the income for cattle producers have consistently been lower than their dairy counterparts, and have wildly fluctuated on a year to year basis. Between types of cattle production, however, it is noted that feedlot operators have experience greater fluctuations, but generally higher incomes vis-a-vis the cow-calf operator.

Table 7.4: Average net-income of dairy, feedlot and cow-calf farms sampled in the Ontario Farm Accounting Project, 1965-1989

Year	Dairy	Feedlot	Cow-calf
1965	\$ 4,988	\$ 7,106	N/A
1966	6,692	4,186	\$ (60)
1967	8,620	6,147	1,712
1968	9,201	946	3,728
1969	8,535	3,778	5,155
1970	9,398	2,867	5,227
1971	10,881	13,661	4,469
1972	13,953	13,347	4,972
1973	20,358	21,251	14,430
1974	20,342	21,753	N/A
1975	17,776	18,301	6,026
1976	16,244	4,766	9,114
1977	16,633	31,917	5,571
1978	33,932	84,087	20,712
1979	31,833	37,188	N/A
1980	30,424	12,455	N/A
1981	20,970	(1,450)	N/A
1982	17,395	20,871	N/A
1983	24,561	31,281	9,810
1984	30,148	34,708	1,113
1985	28,728	17,388	1,925
1986	33,132	29,515	4,208
1987	44,794	40,049	9,745
1988	48,674	44,179	14,010
1989	46,980	31,097	6,709

(loss)

Source: Ontario Farm Management Accounting Project (1966-1990)

These differences between the dairy and beef livestock production sectors are also illustrated in the employment activities of the farm operator. Reflecting the ability of the operation to provide a reasonable income and standard living for the farm family, dairy producers have consistently derived a majority of their income from agricultural activity, between 1970 - 1985 (table 7.5). In contrast, cattle producers have received a decreasing percentage of their income from farm operations, and have consistently derived over 55 percent of their total income from off-farm employment. A similar pattern also exists in Ontario (table 7.6). Although enjoying comparable total incomes for 1986, dairy producers had the highest average net farm incomes, and derived the highest percentage of their total income from their dairy operations. Cattle producers enjoyed comparable average total incomes, but had to rely upon off-farm employment or other sources of income.

Given the contrasting economic conditions between dairy and cattle producers, one must question the overall legitimacy of the policy outcomes in the beef livestock industry. In this context, it is not surprising that beef producers in Ontario have made additional attempts to develop a marketing board during the 1980s (see McDermid, 1988; and Wilkins, 1989). The most notable attempt began in 1984, when a Beef Marketing Agency Commission was established by the provincial government to address the marketing concerns of the industry. Although supply management was not an option amongst the marketing alternatives, the Commission had a mandate from Dennis Timbrell, the Ontario Minister of Agriculture at that time, to introduce a one-desk hog-type method of exchange into the provincial beef livestock industry. While conducting informal discussions across the province, the Commission encountered considerable resistance to the concept, but nonetheless recommended that a provincial wide vote be held on the issue. When Frank Miller defeated Dennis Timbrell in the 1984 leadership campaign of the Conservative Party of Ontario, his first official act was to cancel the proposed vote.

Table 7.5: Income sources as a percentage of farm operators' total income, for cattle and dairy farm product type, Canada, 1970, 1980 and 1985

Farm product type	Year	Sources of income		
		Farm self-employment	Off-farm work	Other ¹
		%	%	%
Cattle	1970	29	56	15
	1980	25	55	20
	1985	18	57	25
Dairy	1970	52	37	11
	1980	65	24	11
	1985	64	21	15
Total	1970	34	52	14
	1980	40	43	17
	1985	32	46	22

¹ includes dividend and interest income, retirement pensions and annuities, income from government transfers and other income.

Source: Census of Agriculture, 1986; Socio-economic characteristics of the farm population (96-114)

Table 7.6: Sources of income of farm operators classified by major product type and by value of products sold, for Ontario, 1986

Major product type	Number Reporting	Net Farm Income	Off-Farm Employment Income	Other Income	Ave. Net Farm Income	Ave. Total Income
			- percent -		- \$'000 -	
Dairy	11,055	64.9	19.5	15.7	15.9	24.5
Poultry	17,315	31.1	55.2	13.9	10.9	35.2
Other Field Crops	1,935	51.3	26.6	22.1	9.2	18.0
Livestock Combinations	1,805	36.2	45.8	17.9	8.7	24.1
Pigs	4,900	37.8	45.3	16.7	7.3	19.0
Vegetables	1,735	32.2	48.0	19.8	7.1	22.0
Other Small Grains	13,860	19.3	56.7	24.0	4.7	24.5
Fruit	2,265	15.3	54.2	30.5	4.2	27.4
Misc. Specialty	4,235	8.2	53.4	38.4	2.9	35.0
Cattle	17,315	12.2	60.1	27.7	2.7	22.5
All Other Types	2,290	7.8	66.3	25.7	2.1	27.4
Wheat	670	6.2	71.9	22.6	1.7	27.1
Total	63,575	26.7	49.2	24.1	6.5	24.4

Source: OMAF (1989)

The failure of the Commission to successfully bring the issue to a provincial wide vote spawned the creation of the Ontario Beef Producer's for Change (OBPC), a 'radical' farm organization that was committed to bring supply management to the beef livestock industry in Ontario. Yet another provincial task force was established in 1987 to investigate methods of improving the beef marketing system in Ontario, and recommended that a vote be undertaken. A vote was finally held in April, 1989, amidst considerable controversy. When the votes were counted, over 70 percent of the 20,000 producers casting valid ballots rejected the concept of a producer-controlled marketing commission that would have regulated the sale of all beef cattle in Ontario. With such a decisive outcome, the movement towards developing a beef marketing board in Ontario had effectively ended.

While this outcome may suggest that democracy continues to prevail within the beef livestock industry in Ontario, it is important to note that the initial support for the OBPC was quite large (Wilkins, 1989). However, the Ontario Cattlemen's Association undertook a costly, but successful advertising campaign to espouse the benefits of the free enterprise system and condemn the marketing board alternative. Their determined participation in the political process suggests that the role of 'elites' had a significant influence upon the outcome of this vote. There is additional evidence, however, that a structuralist interpretation should also be considered. Although no official statistics are available, it was generally believed that the OBPC were primarily supported by cow-calf operators, whereas the Ontario Cattlemen's Association was supported by feedlot operators. Complicating the issue was the rejection of an OBPC request to indicate on the ballot the voter's type of production. It is unfortunate that this request was rejected by the government, since the results would have provide additional insight into the political process.

There is evidence to suggest, however, that feedlot operators most likely voted "no" on the ballot. If one considers the net farm income of the top one third producers surveyed in the Ontario Farm Management Project (table 7.7), it is conceivable that the feedlot operators would reject a marketing board concept. Despite the incomplete data for cow-calf

operator's, the statistics clearly illustrate that feedlot operators have been receiving incomes that are even comparable to their dairy counterparts. In contrast, the cow-calf operator has continued to languish with less than acceptable incomes. This suggests that the existing beef marketing system, with all of its imperfections, allows the large scale feedlot operator to receive a substantial net income. While much of this argument is perhaps circumstantial, there is enough evidence to warrant further investigation of the relationship between the OBPC and the cow-calf operators.

Ironically, as the dairy and beef livestock sectors move ahead in the 1990s, the production and processing sectors in Ontario are experiencing their own unique crises. The biggest threat to the legitimation of the sector lies in the processing sector. During the late 1980s, the beef livestock industry in Canada has undergone considerable restructuring, which has basically involved the further concentration of beef packing activity in western Canada (see Chiotti, 1991b). The arrival of Cargill Inc. in High River, Alberta, and the propensity of the government of Alberta to subsidize their beef packing industry, has created a 'crisis of sorts' in the Ontario beef livestock industry. In this case, a drastic reduction in the number of feeder cattle being shipped to central Canada (Ontario and Québec), and the subsequent rationalization of the beef packing industry in Ontario (see Grier, 1988).

Similarly, in recent years the dairy industry in Canada is also experiencing its own crisis, although in this case it is becoming increasingly threatened by external and internal forces. Externally, the Canada-U.S. Trade Agreement (CUSTA) and the GATT negotiations have questioned the legality of import restrictions and supply management under international trade agreements (see Chiotti, 1991a). Due to these external forces, and contradictory signals from the Federal government, the dairy industry in Ontario is in a considerable state of uncertainty. This anxiety has been exacerbated by recent threats from Ault's Dairies to relocate its operations unless price concessions are provided by the OMMB (Canadian Press, 1990).

Table 7.7: Net income of top 33 percent dairy, feedlot and cow-calf farms sampled in the Ontario Farm Management Accounting Project

Year	Dairy	Feedlot	Cow-calf
1965	\$ 10,069	\$ 5,452	N/A
1966	12,168	8,638	1,958
1967	16,656	N/A	4,219
1968	17,656	7,091	N/A
1969	16,654	12,736	N/A
1970	17,935	N/A	N/A
1971	22,619	24,572	N/A
1972	22,975	24,572	N/A
1973	38,490	N/A	N/A
1974	33,218	44,779	N/A
1975	32,468	29,245	N/A
1976	32,207	18,555	N/A
1977	38,508	52,994	N/A
1978	56,506	146,537	N/A
1979	57,255	55,989	N/A
1980	60,106	52,459	N/A
1981	44,754	36,469	N/A
1982	40,795	41,510	N/A
1983	51,805	56,074	26,432
1984	63,344	51,016	16,462
1985	56,904	36,229	14,347
1986	61,736	72,526	16,883
1987	76,368	84,387	23,355
1988	84,211	82,411	38,272
1989	85,020	75,524	22,968

N/A Not Available

Source: Ontario Farm Management Accounting Project (1966-1990)

7.3 Conclusions:

From a reassessment of the agricultural policy-making process in the Canadian dairy and beef livestock sectors, it has been argued that the pluralist, elite and structuralist interpretations provide their own special insights into a comprehensive explanation for the policy outcomes. Although the resolution of conflict created differential patterns in institutional controls regulating each industry, there were considerable similarities in the overall policy outcomes. Policy outcomes in both sectors can basically be explained by a convergence of ideology and mutual interests between large scale producers and large scale agribusiness firms. The convergence of these interests resulted in a legislative response that has since had a significant impact upon the structure of the dairy and beef livestock sector.

The evolution of both industries since the resolution of each crisis tends to reflect the goals of the initial legislative response. The Ontario dairy industry, for example, has undergone dramatic rationalization in terms of production and processing activity since the establishment of the OMMB. As a consequence of this rationalization, the industry has remained essentially 'crisis free', at least until the recent international trade disputes over the legality of import restrictions and supply management. In contrast, the crisis in the beef livestock industry has persisted, generally involving a continuation of the efforts of cow-calf operators to secure a beef marketing board. Although the latest attempt was successfully thwarted by the combined efforts of the Ontario Cattlemen's Association and possibly large scale producers (feedlot operators), recent competitive forces have once again challenged the legitimacy of the existing beef marketing system.

Chapter 8: Summary and conclusions

8.1 Summary and conclusions:

The overall objective of this thesis has been to investigate the evolving policies and institutional arrangements in the dairy and beef livestock sectors in Canada. In order to critically address the differential development of a marketing board in each sector, an effort was made to go beyond the prevailing pluralist explanations for the formation of marketing boards, by incorporating an integrative theoretical framework to investigate the agricultural policy-making process in each sector. Although the resolution of conflict resulted in the implementation of vastly different institutional arrangements, a synthesis of the elite and structuralist perspectives suggests that the policy-making process in each sector shared some significant similarities. The interests of large scale producers and large scale agribusiness firms tended to dictate policy in both agri-food sectors.

An investigation of conflict resolution also revealed some significant differences in the nature of the crisis for each industry. The dairy industry was in a severe state of crisis involving a variety of factors that combined to inhibit the investment of capital in both the production and processing sectors. In contrast, there was some uncertainty as to the severity of the beef crisis, since large scale producers and agribusiness firms were advocating only slight modifications to the beef marketing system. At the production level, the dairy crisis appeared to involve conflict amongst producers, as much as, if not more so, than conflict between producers and processors. In this case, the conflict involved the struggle over preferential access to the lucrative fluid market, which was resolved by balancing the right of fluid producers to retain their quota with the need to make the fluid market more accessible to qualified manufacturing milk producers. Given the instability of the industry, access by qualified manufacturing milk producers was a necessity; however, access did undermine the ability of fluid producers to expand their operations. In comparison, the conflict between beef producers involved small scale cow-calf operators

attempting to balance the playing field by introducing a marketing board and eliminating direct sales. Large scale producers, who were becoming more integrated with agribusiness firms, were able to maintain their privileged position with the maintenance of the status quo.

In the agribusiness sector, the large scale dairy processors were supporting a new marketing board, if the institutional change also brought a fairer bargaining process and the rationalization of production and processing activity. Given the policy outcome in the dairy industry, OMMB policies have certainly facilitated the rationalization process. In contrast, the meat packing companies and the major retailers did not recognize a crisis in the beef industry, and were advocating the maintenance of the status quo; a marketing system that maximized their options in securing reliable and cheap sources of supply. Since the beef crisis was having negligible impact upon agribusiness firms, there was little, if any, benefit to be gained by supporting a marketing board system.

In both crises, the actions of the state were unquestionably biased. The selection of Committee members with well defined philosophical views, initial hearings with elites, and clear mandates to promote economic efficiency, collectively reflect that the state was not simply a neutral arbiter in the disputes. Supported by the views of agricultural-economists, the recommendations from each Inquiry and the legislative response was directed towards serving the interests of large scale producers and agribusiness firms.

Given the overall policy outcomes in each crisis, the discussion now turns its attention to the 7 hypotheses that were presented in Chapter 4. In consideration of the policy-making process in the dairy and beef livestock sectors, can we make some general theories about the role of producers, agribusiness and the state in the development of agricultural policies and institutional arrangements in the Canadian agri-food system? To answer this question, the 4 relevant hypotheses are briefly evaluated as to their applicability to policy outcomes in each agri-food sector.

Hypothesis number 2:

2. If there is no agrarian consensus for a marketing board, agribusiness interests are against a marketing board, and the state is either neutral or supportive of agrarian interests, then the outcome of the policy-making process will be the maintenance of the status quo.

In the beef livestock industry, there was not a consensus between producer organizations in regards to supporting a marketing board. To some degree this hypothesis is valid, but is incomplete since it fails to consider agribusiness interests. Since a consensus existed in the dairy industry, this hypothesis only applies to the beef livestock situation.

Hypothesis number 3:

3. If the major farm organizations and the major agribusiness organizations reach a consensus in favour of radical change, then the state will facilitate the formation of a marketing board.

In the dairy industry, there was a common interest between the major dairy producer organizations and agribusiness associations in radically altering the production process throughout the industry. This hypothesis has considerable validity for the dairy example.

Hypothesis number 6:

6. If agrarian interests support the development of a marketing board and agribusiness interests support a marketing board, then the state will act in class interests and facilitate the formation of a marketing board.

In the dairy industry, the major producer interests were in favour of developing a new marketing board, which was supported by agribusiness interests. In this case, the legislative response and policy outcome clearly illustrates that the state acted in class interests when they passed the "enabling" legislation The Milk Act (R.S.O. 1970, c. 273). This hypothesis describes the process of policy formation in the development of the OMMB.

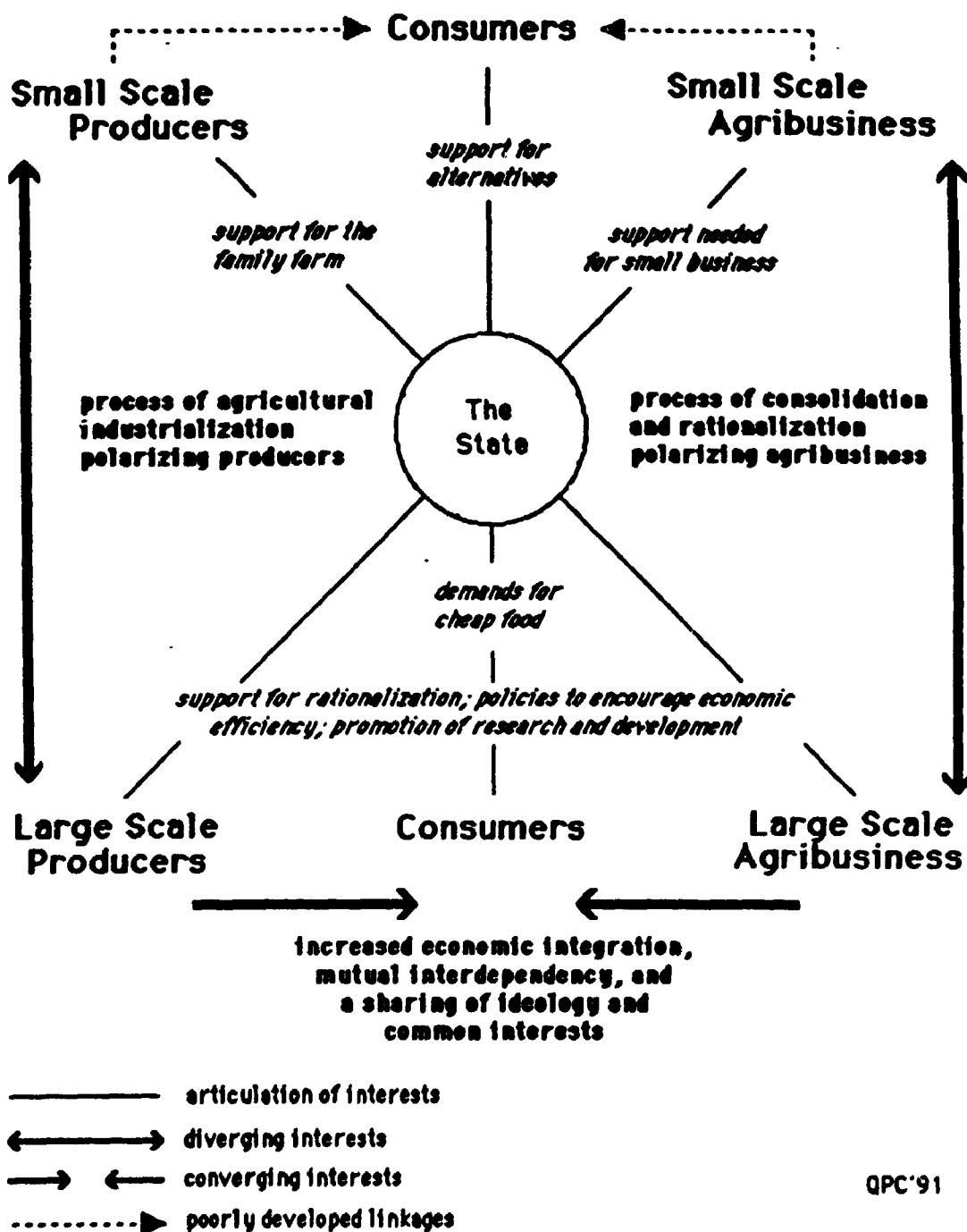
Hypothesis number 7:

7. If large scale producers and the interests of agribusiness firms converge to dictate agricultural policy, then the state will act in the general class interests and supports their demands for either the maintenance of the status quo or the formation of a marketing board.

This hypothesis helps explain the policy-making process in both the dairy and beef livestock industries. In this case, the interests of large scale producers and large scale agribusiness firms converge to dictate agricultural policy. This hypothesis has the greatest explanatory power since it applies to both the dairy and beef livestock sectors.

In consideration of the validity of these hypotheses, it is important to note that the last hypothesis applies to policy outcomes in both agri-food sectors. Consequently, a general model of interest group pressures and the policy-making process in the Canadian agri-food system is presented (figure 8.1). This model incorporates two broader processes that have been operating upon the agri-food industry since the 1950s. As a consequence of the process of agricultural industrialization, the agricultural system in Canada is becoming increasingly polarized between small scale and large scale producers. A corresponding process of consolidation and rationalization is polarizing the agribusiness sector between small scale firms and large scale agribusiness firms. In this case, the two concurrently operating processes results in the convergence of the interests of large scale efficient producers and large scale (multi-national) agribusiness firms. These two segments of the production process are becoming increasingly economically integrated, are mutually interdependent, and sharing a common ideology. In contrast, the linkages between the small scale producer and the small scale agribusiness firm is poorly developed. The key feature of the model is that this convergence of mutual interests may result in either developing or rejecting a marketing board.

Figure 8.1: A general model of interest group pressures and the policy-making process in the Canadian agri-food system



In terms of the policy-making process, each of these four groups have specific policy demands; however, the demands from small scale producers and small scale agribusiness is contradictory or in conflict with the demands of large scale producers and large scale agribusiness. While the state may attempt to respond to all of these demands, policies that facilitate rationalization, encourage economic efficiency and promote research and development may in fact be contradictory to the needs of the small scale family farm and the independent local agribusiness firm. The states support for these policies, in order to meet the demands for cheap food, tend to facilitate the processes of agricultural industrialization and the polarization of agribusiness. In this case, the contradictions in policy and the industrialization of agriculture will combine to maintain a legitimation crisis in the agri-food system, resulting in the increasing marginalization of small scale producers, and the continuation of producer efforts to develop a marketing board. While this may explain the ongoing crisis in the beef livestock sector, it is important to note that the dairy industry, under a supply management system, has resulted in the elimination of small scale inefficient producers. In the latter case, this may explain why the dairy industry has been essentially "crisis free" during the last 25 years.

8.2 Questions and directions for future research:

Given the magnitude of the research problem, and in consideration of the documents examined for this thesis, there is a long list of questions that could be presented for future research. However, there are 6 questions or areas of research that deserve special consideration. First, having established the role of agribusiness and the state in dictating agricultural policy, further research should be done in examining the spatial dimensions of agricultural production in each agri-food sector. In this case, consideration should be given to the uneven spatial development of producers in each sector, particularly the location of small scale producers that have "exited" from dairy production. Second, although the background papers to each commission of inquiry revealed the general interests of

agribusiness firms, future research should investigate alternative methods to determine a clearer view of agribusiness interests. In other words, are marketing boards in conflict with agribusiness interests? Third, the OMMB has just celebrated its silver anniversary. Many of the individuals involved in the hearings of the Inquiry are either deceased or aged. Future research should attempt to interview surviving participants, in order to have a fuller, if not a more personal understanding of the policy-making process. Fourth, the persistence of cow-calf operators and in some cases the survival of small scale agribusiness firms, demand closer examination. How and why do individual producers or processors manage to survive in face of broader structural change? Fifth, what is the relationship between large scale producers, types of cattle production (feedlot or cow-calf) and the major producer organizations? Finally, research needs to be directed towards educating consumers, in terms of the broader impact and role of marketing boards. In this case, future research should focus on the socio-economic benefits of supply management (particularly in marginal areas of production), and the profitability of agribusiness firms. As Warnock (1978) points out:

...while dairy farmers struggle along at very minimum income levels, the Consumer's Association of Canada, the Food Prices Review Board, and a number of "free enterprise" professors have concentrated their attacks and public attention on marketing boards. By doing so they have diverted attention away from the larger problems associated with the food industry in Canada (Warnock, 1978; p. 94).

Warnock's comment is particularly relevant as we progress into the 1990s. As discussed in chapter 7, in recent years the dairy industry has come under considerable external and internal pressure to change its institutional arrangements currently regulating production and trade. The resolution of international trade disputes could conceivably place the Canadian dairy industry in the position of restructuring in face of more efficient U.S. competition. In comparison, the beef livestock industry has already undergone considerable restructuring in response to new competitive pressures within a North American market. In

both agri-food sectors, it is likely that the 1990s will be a decade of change for producers and agribusiness firms.

**APPENDIX I: THE ONTARIO MILK INDUSTRY INQUIRY COMMITTEE,
BACKGROUND INFORMATION**

Appendix I is composed of two parts. The following list identifies the names of the 161 participants submitting written briefs to the Ontario Milk Industry Inquiry Committee, and the corresponding number that was assigned to each brief. Note that this list includes the 6 briefs that were not subjected to an analysis of content (see note below). This list is accompanied by the data matrix that contains the complete qualitative content analysis of the 155 briefs, according to the thematic categories identified in the text.

List of submitted briefs:

1. Kenora District Milk Distributors
2. Dryden Milk Producers' Association
3. Rainy River - Kenora Milk Producers' Association and Fort Frances Milk Producers' Association
4. Temiskaming Milk Producers
5. Cochrane Milk Producers' Association
6. The Milk Transporters' Division of the Automotive Transport Association of Ontario (Inc.)
7. Toronto Milk Producers' Association
8. Co-operative Union of Ontario
9. The Ontario Concentrated Milk Producers' Marketing Board
10. Retail, Wholesale and Department Store Union
11. Ontario Whole Milk Producers' League
12. Ontario Cream Producers' Marketing Board
13. Holstein-Friesian Association of Canada
14. Toronto Milk Producers' Co-operative
15. Ontario Concentrated Milk Manufacturers' Association
16. Evaporated Milk Manufacturers of Ontario
17. Ontario Creamerymen's Association
18. Twin City Milk Producers' Association
19. Channel Island Breeds Milk Producers' Association
20. Dufferin Cheese Milk Producers

21. Nestle (Canada) Ltd.
22. The Eastern Ontario Concentrated Locals of Alexandria, Chesterville, Winchester, Williamsburg and Kemptville
23. The Gananoque Whole Milk Producers' Association
24. The Brockville Whole Milk Producers' Association
25. Ontario Concentrated Milk Producers' Association, Jarvis Local
26. Mr. Merritt Wilcox
27. Alexandria Concentrated Milk Producers' Association
28. Listowel Local, Ontario Concentrated Milk Producers' Association
29. North Renfrew Concentrated Milk Producers' Association and Almonte Concentrated Milk Producers' Association
30. Hamilton Milk Producers' Association
31. Norfolk Whole Milk Producers' Association
32. London District Co-operative Milk Producers
33. The Fluid Milk Shippers of Grey, Bruce and Huron Counties
34. Middlesex County Cream Producers' Association
35. Consumers' Association of Canada, (Ottawa)
36. Kimberley District Co-operative Creamery
37. Carleton Country Federation of Agriculture
38. Simcoe Cheese Milk Producers
39. Ayrshire Breeders' Association of Canada
40. Belleville Milk Producers' Association
41. Concentrated Milk Producer Locals of Tara, Teeswater, Clifford and Durham
42. Kingston Milk Producers' Association
43. Muskoka and Parry Sound District, Ontario Whole Milk Producers' League
44. Toronto Milk Distributors' Association
45. Mr. M. K. Abel
46. Lambton County Milk Producers' Association
47. Kent County Milk Producers' Association
48. Peterborough County Cream Producers - Peterborough County Federation of Agriculture
49. Ontario Cheese Producers' Marketing Board
50. Ontario Cheese Manufacturers' Association
51. Glengarry Federation of Agriculture
52. Federations of Agriculture for Prescott and Russell Counties
53. Brantford Milk Producers' Association

54. Essex Milk Producers' Association
55. Stormont Federation of Agriculture
56. Ottawa Valley Milk Producers' Association
57. St. Thomas Milk Producers' Association
58. Trenton Milk Producers' Association
59. Brockville Concentrated Milk Producers
60. Toronto Milk Producers' Association, District number 3
61. Flowerlea Dairy Co-operative
62. The Producers and Manufacturers of Liquid Concentrated Milk (Canada Dairies Corporation)
63. Walkerton Dairies Limited
64. The Specialty Cheesemakers of Ontario
65. Lakeview Pure Milk Dairy Ltd.
66. Guernsey Cattle Breeders' Association of Ontario
67. Glenville Farms Dairy Ltd.
68. Oakville-Trafalgar Milk Producers' Association
69. Niagara District Milk Producers
70. Caledon East Creamery
71. Ontario Federation of Agriculture
72. Oxford County Federation of Agriculture
73. Brant County Farm Management Association
74. Renfrew County Farmers' Union
75. Cornwall Fluid Milk Producers
76. Gen Hoogendam
77. Ontario Milk Distributors' Association, Brockville Zone
78. Leeds Dairy Farmers
79. Leeds County Cheese Producers' Association
80. Grenville County Federation of Agriculture
81. Trenton, Belleville and Area Milk Distributors
82. Hastings and Prince Edward Counties, Ontario Farmers' Union
83. Peterborough Concentrated Milk Producers' Association
84. Ontario Milk Distributors' Association, Peterborough Zone
85. Barrie Milk Producers' Association
86. Ontario Milk Distributors' Association, Orillia Zone
87. Paris Milk Producers' Association
88. Ontario Concentrated Milk Producers' Association, Harriston Local

89. Kent County Milk Distributors
90. Windsor Milk Distributors' Association, Essex Country Zone
91. Ontario Milk Distributors' Association, London Zone
92. Waterloo County Federation of Agriculture
93. Charles E. Lindsay
94. Thomas F. Williams
95. Ontario Milk Distributors' Association, Lincoln and Welland Zones
96. Oakville-Trafalgar Milk Producers' Association
97. St. Marys Concentrated Milk Producers' Association
98. Ontario Concentrated Milk Manufacturers Association
99. Dairy Science Branch, Ontario Agricultural College
100. Dairy Foods Service Bureau, Ontario Regional Committee
101. Ontario Concentrated Milk Manufacturers' Association
102. Thunder Bay Milk Producers' Association
103. John Graveson
104. Consumers' Association of Canada
105. Producers' Co-operative Creamery Co. Ltd.
106. Sudbury, Copper Cliff and District Milk Producers' Association
107. Leach's Dairy
108. Temiskaming Milk Distributors' Association
109. Kapuskasing Milk Distributors
110. Hillcrest Dairy
111. Ansonville - Iroquois Falls Milk Producers' Association
112. Dairy Division, Kemptville Agricultural School
113. Mr. and Mrs. Thos. B. Tyner
114. Michael Jopko
115. Paul B. Dahl
116. Ontario Milk Distributors' Association
117. Ontario Association of Ice Cream Manufacturers
118. Ontario Dairy Processors' Council
119. Holstein Producers, Stayner
120. Henry Groenenberg
121. Sunny View Dairy
122. Timmins - Porcupine Chamber of Commerce
123. Timmins Milk Producers' Association
124. Ontario Farmers' Union

125. Verdun Dairy Ltd.
126. Claude Weegar
127. Guernsey Cattle Breeders' Association of Ontario
128. Mrs. Blair Maxwell
129. St. Marys Concentrated Milk Producers' Association
130. Rainy River - Kenora Milk Producers' Association
131. George R. McLaughlin, Elmcroft Farm
132. Ontario Veterinary Association
133. Don Head Farms Limited
134. The Christian Farmers' Association
135. Alec Glover
136. S. A. and D. E. Fletcher
137. Keith Kell and Holstein Producers
138. Ontario Farmers' Union, Guelph Local
139. J. J. Wilkoyc
140. Milk and Bread Drivers, Dairy Employees, Caterers and Allied Employees, Local 647
141. Toronto Milk Producers' Association
142. S. Heeg
143. Harold D. Ferguson
144. Girard d'Aragon
145. Voice of Women
146. Consumers' Association of Canada, (Ontario)
147. Dr. G. I. Trant (Comment on O.M.D.A. brief)¹
148. Dr. G. I. Trant
149. Dr. D. M. Irvine (Comment on O.M.D.A. brief)¹
150. Mr. and Mrs. Calvin Dunn
151. Ontario Whole Milk Producers' League (Comment on O.M.D.A. brief)¹
152. Ontario Cream Producers' Marketing Board
153. Lorne Augustine and Sons
154. Glen Cole
155. John J. Daniels
156. M. S. Elgersma
157. Holstein Friesian Association of Canada (supplementary submission included in brief number 13)¹
158. W. M. Klamp (no written brief, but discussed in the transcripts)¹
159. Seiling Farms Ltd.

160. Miss Gladys Suggitt

161. Toronto Milk Producers' Association (supplementary submission included in brief number 60)¹

¹ For reasons cited, not subjected to an analysis of content

	Briefs:	1	2	3	4	5	6	7	8	9	10	11
Dairy Themes and Categories												
I. BACKGROUND INFORMATION:												
1. FARM/COMPANY/ORGANIZATION:												
1. Agrarian Totals:												
A. Ontario Whole Milk Producer (League)		1	1	1	1		1	1	1			1
B. Ontario Concentrate Milk Producer (Marketing Board)		1	1	1	1		1			1		1
C. Ontario Cheese Milk Producer (Marketing Board)												
D. Ontario Cream Producer (Marketing Board)												
E. Producer Group: Other									1			
F. Producer: Individual												
2. Agribusiness Companies												
3. Government/Academic 'Expert'		1										
4. Consumer Organizations (other)												
5. Organized Labour							1				1	
2. LOCATION OF PRESENTATION:												
i. Northern Ontario												
ii. Eastern Ontario		1	1	1	1	1	1					
iii. Western Ontario												
iv. Central Ontario (Toronto)								1	1	1	1	1
II. ANALYSIS OF CRISIS:												
1. COST-PRICE SQUEEZE:												
A. Price		1	1	1		1		1		1	1	1
B. Inputs and other costs			1			1		1				1
C. Low Profits/Constrained Capital						1		1				
D. Retail Market		1									1	
E. (Unfair) Price Differentials		1				1				1		1
2. PRODUCTION AND MARKETING SYSTEM:												
A. Provincial (Production)		1	1	1	1	1		1		1		1
B. Provincial (Marketing)				1	1			1		1		1
C. National Market		1		1	1	1						1
D. International Market												1
3. METHOD OF EXCHANGE:												
A. Quota Abuses			1	1				1		1		1
B. Grading/Butterfat Content			1	1				1		1		1
C. Harmonious Relationship			1									1

4. GOVERNMENT POLICY:	1	1	1	1		1	1	1	1	1	1
A. National Dairy Policy		1							1		
B. Butterfat differential											
C. Ontario Milk Industry Act/Board	1		1	1		1	1	1		1	1
D. Price Mechanism/Formula											
E. Margarine				1							
5. TRANSPORTATION:						1	1		1		1
A. Bulk haulage											
B. Increasing Costs											1
C. Duplication of collection						1	1		1		
D. Duplication of home delivery											
6. ATTITUDES AND VALUES:		1	1	1		1	1	1	1	1	1
A. Personal Philosophy			1								1
B. Concentration of Ownership						1					1
C. Countervailing Power											1
D. Pooling		1	1						1		
E. Organizations:		1	1	1		1		1	1	1	1
i. OWMPL											
ii. OCMPTMB											
iii. Ontario Cheese Producers Marketing Board											
iv. Ontario Cream Producers Marketing Board											
v. Holstein/Channel Island Breeds											1
vi. Producer-Distributors											
vii. Processors/manufacturers		1	1	1				1	1		
viii. Jug Milk Stores/Chains											1
ix. Consumers											
x. Media											
xi. Co-ops						1		1			1
F. Trends			1							1	
G. Health											
H. Advertising		1					1				1
7. TECHNOLOGY AND EFFICIENCY:							1		1	1	1
A. Need to rationalize/expand production							1				
B. Rationalization well underway							1		1	1	1

III. SOLUTIONS AND RECOMMENDATIONS:										
1. NO CLEAR RECOMMENDATIONS:										
2. FREE ENTERPRISE:	1									
A. No Regulations										
B. Less Regulations										
C. Eliminate Quotas										
D. Greater Economic Efficiency										
3. STATE INTERVENTION (STATUS QUO)		1	1	1	1		1	1	1	1
A. Maintenance of Marketing/Territorial Boundaries				1						
B. High Quality Standards/Central Testing			1			1	1	1		1
C. Increased Production/Marketing		1	1			1	1		1	1
4. INCREASED STATE INTERVENTION:			1	1	1	1	1	1	1	1
A. Northern/Southern Ontario Markets			1	1	1					
B. Changes in Price Formula/Classification				1			1	1	1	
C. Pooling of Returns/Direct Milk to Best Use					1	1	1	1		1
D. One Marketing Agency/Marketing Plan				1		1	1	1		1
E. Gradual Implementation/Transition Period						1		1		
F. National Co-ordination							1			1
G. Equal Representation										

62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86
				1	1	1	1		1	1	1	1	1	1		1	1	1		1	1		1	
					1	1							1									1		1
																	1							
				1					1	1	1	1				1		1		1				
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1	1	1	1					1							1				1			1		1
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									1															
1		1	1				1		1	1	1	1	1	1		1	1	1	1	1	1		1	1
1			1				1		1	1	1	1	1	1		1	1			1	1			1
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1		1	1					1	1	1	1	1			1				1	1
		1						1	1											
1			1					1	1		1	1			1					1
1			1					1			1	1			1				1	1
								1			1								1	
		1																	1	
1											1									1

155	156	159	160	TOTALS
1	1	1	1	109
				38
				11
				4
				4
				25
1	1	1	1	27
				33
				4
				6
				3
				21
				34
				52
1	1	1	1	48
1		1	1	95
		1		55
				44
				13
				11
1		1	1	62
		1	1	92
		1	1	56
				50
				12
				16
1	1		1	66
	1		1	41
1				24
				14

1				74
1				47
				7
				38
				3
				4
				30
				4
				4
				22
				3
1	1		1	122
			1	38
				11
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				16
1	1		1	91
				18
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				12
				7
1	1		1	61
				8
				13
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				23
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1	1	1			31
					18
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					2
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			1		87
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					14

APPENDIX II: THE COMMISSION OF INQUIRY INTO THE MARKETING OF BEEF AND VEAL, BACKGROUND INFORMATION

Appendix II is composed of two parts. The following list identifies the names of the 113 participants submitting written briefs to the Commission of Inquiry into the Marketing of Beef and Veal, and the corresponding number that was assigned to each brief. This list is accompanied by the data matrix that contains the complete qualitative content analysis of the 113 briefs, according to the thematic categories identified in the text.

List of submitted briefs

3. Canada Packers Ltd.
4. Loblaws Co. Ltd.
5. Swift Canadian Co.
6. Dominion Stores Ltd.
7. Canadian Cattlemen's Association
8. Burns Meats Ltd.
9. Lakeside Farm Industries Ltd.
10. Canada Safeway Ltd.
11. Meat Packers Council of Canada, Quebec Branch
12. Chaîne co-operative du Saguenay
13. Fédération e l'U.P.A. du Saguenay - Lac, St. Jean
14. Lépine and Laurier Inc.
15. Association des consommateurs du Canada (Quebec)
16. Hudon and Deaudelin Ltée
17. Marchés d'aliments Métro Ltée
18. Longueuil Meat Exporting Co. Ltd.
19. Bolands Ltd.
20. Prince Edward Island Joint Producers' Association
21. National Farmers' Union, District 1/Region 1
22. Atlantic Wholesalers Ltd.
23. New Brunswick Cattle Producers' Association
24. Steinberg's Ltd.
25. Union des Producteurs Agricoles (Montreal)
26. Polonsky Ltd.

27. Woodward's Co. Ltd.
28. Kelly Douglas and Co. Ltd.
29. British Columbia Livestock Producers' Co-operative Association
30. British Columbia Cattlemen's Association
31. Western Feedlots Ltd.
32. National Farmers' Union, Local 830
33. Unifarm
34. National Farmers' Union, District 3/Region 7
35. National Farmers' Union, District 5/Region 7
36. National Farmers' Union, Local 712
37. Canadian National Railways
38. Hi-Grade Feeders Ltd.
39. Sten S. Berg
40. National Farmers' Union, Local 726
41. National Farmers' Union, Local 742
42. National Farmers' Union, Local 633
43. Mr. H. T. Fredeen
44. Beef Producers' Wives
45. Bernard Van Straten
46. Alberta Cattle Feeders' Association
47. Alberta Livestock Co-operative Ltd.
48. National Livestock Markets Association
49. SN Ranch Ltd.
50. L. K. Ranches Ltd.
51. Fred and Helen Nickol
52. Bill Olafson
53. Bert Hargrave, M. P.
54. Saskatchewan Stock Growers' Association
55. National Farmers' Union, District 3/Region 6
56. National Farmers' Union, Local 603
57. Intercontinental Packers Ltd.
58. Dr. C. M. Williams
59. National Farmers' Union, Saskatoon
60. National Farmers' Union, Local 638
61. National Farmers' Union, Local 613
62. National Farmers' Union, Local 612

63. National Farmers' Union, Local 622
64. National Farmers' Union, Local 634
65. National Farmers' Union, Local 611
66. National Farmers' Union, Local 606
67. National Farmers' Union, Local 647
68. National Farmers' Union, Local 601
69. Saskatchewan Wheat Pool
70. Saskatchewan Livestock Markets Association
71. Saskatchewan Federation of Labour (Canadian Labour Congress)
72. National Farmers' Union, Region 6
73. National Farmers' Union, Local 639/District 1
74. National Farmers' Union, Region 6/Local 630
75. National Farmers' Union, Local 608
76. National Farmers' Union, Local 651
- 76A. National Farmers' Union, Local 525
77. Parkdale Farms Ltd.
78. Manitoba Pool Elevators
79. Manitoba Cow/Calf Producers' Association
80. Manitoba Beef Growers Association
81. National Farmers' Union, Region 5
82. Ste. Rose Cattlemen's Association
83. Bernard N. Stephaniuk
84. George Hickie
85. Canadian Restaurant Association
86. Meat Packers' Council of Canada
87. National Farmers' Union, Local 327
88. National Farmers' Union, Locals 339 and 361
89. The Oshawa Group Ltd.
90. Ontario Livestock Auction Association
91. Mr. W. M. Parfitt
92. The Great Atlantic and Pacific Co. of Canada Ltd.
93. Ontario Federation of Agriculture
94. Consumers Association of Canada, (Ontario)
95. National Farmers' Union, District 3/Region 3
96. Essex Packers Ltd.
97. Ontario Beef Improvement Association

98. Consumers Association of Canada
99. National Farmers' Union, District 5/Region 3, Local 341
100. National Farmers' Union, Local 306
101. National Farmers' Union, Local 307
102. National Farmers' Union, District 7/Region 3
103. National Farmers' Union, District 5/Region 3
104. National Farmers' Union, Local 336
105. Canadian Trucking Association
106. Lanark, Leeds and Grenville Federation of Agriculture
107. Ontario Stock Yards
108. Dundas County Federation of Agriculture
109. National Farmers' Union, District 2/Region 3
110. National Farmers' Union, District 8/Region 3
111. Canadian Cattlemen's Association
112. W. A. Spratt and Sons Ltd., Leo's Livestock Exchange
113. National Farmers' Union, District 8/Local 350
114. National Farmers' Union, District 1/Region 3

	Briefs:	3	4	5	6	7	8	9	10	11	12	13
Beef Livestock Themes and Categories												
I. BACKGROUND INFORMATION:												
1. FARM/COMPANY/ORGANIZATION:												
1. Agrarian Totals						1		1			1	1
A. Farm Organizations (pro Marketing Board)												1
B. Farm Organizations (pro Free Enterprise)						1					1	
C. Individual Farmers												
D. Farm Agribusiness								1				
2. Agribusiness Companies	1	1	1	1			1		1	1		
3. Marketing agencies												
4. Transportation												
5. Consumer Organizations												
6. Organized Labour												
7. Experts												
2. LOCATION OF PRESENTATION												
i. British Columbia												
ii. Alberta						1	1	1	1			
iii. Saskatchewan												
iv. Manitoba												
v. Ontario	1	1	1	1								
vi. Quebec										1	1	1
vii. Atlantic Canada												
3. THE BEEF CRISIS:												
A. Recognition of Crisis			1		1	1		1				1
B. Does not directly acknowledge a Beef Crisis	1		1				1		1	1	1	
C. Description: their role in the system	1	1	1	1	1	1	1			1		
II. ANALYSIS OF CRISIS:												
1. COST-PRICE SQUEEZE:												
A. Price	1	1		1	1	1	1	1	1			1
B. Inputs and other costs	1	1	1	1	1	1	1	1	1			1
C. Low profits/constrained capital.	1	1					1					
D. Retail Market		1				1			1			
E. (Unfair) Price Differentials	1	1		1	1	1						

2. PRODUCTION AND MARKETING SYSTEM:	1	1	1		1	1	1	1	1	1		
A. North American Market	1		1		1		1				1	
B. Global Market	1	1	1		1			1			1	
C. Montreal Market/Wholesalers			1	1	1	1						
D. Hinterland Production Areas					1						1	
E. Diversity of Production System			1	1				1	1			
3. METHODS OF EXCHANGE:	1	1	1		1	1						
A. Diversity of Marketing System	1		1		1							
B. Public Auctions	1		1		1	1						
C. Direct Sales	1		1		1	1						
D. Canfax System					1							
E. Grading System	1	1	1		1							
4. GOVERNMENT POLICY:	1		1	1	1	1	1				1	
A. Stabilization Plan				1			1					
B. Management of Quotas/Tariffs	1		1	1	1	1	1				1	
C. Government Incentives												
D. Transportation and Crow Rates					1		1					
E. Problems of Province vs. Province							1					
5. ATTITUDES AND VALUES:	1	1	1	1	1	1		1			1	
A. Personal Philosophy		1			1							
B. Marketing Boards					1							
C. Concentration of ownership					1							
D. Organizations/Participants		1	1	1	1	1		1				
i. Canadian Cattlemens Association												
ii. National Farmers Union												
iii. Cattlemen (general)		1										
iv. Packers/Processors/Retailers		1			1	1		1				
v. Wholesalers			1			1						
vi. Food Prices Review Board			1		1							
vii. Consumers		1	1	1						1		
viii. Media		1	1									
ix. Government		1	1	1	1							
E. Need to Rationalize/Rationalization	1						1				1	
6. PROCESSING TECHNOLOGY:	1				1					1		
A. Centralized Cutting/Boxed Beef	1				1					1		

III. SOLUTIONS AND RECOMMENDATIONS:										
1. STATUS QUO:	1	1	1	1	1	1	1	1	1	1
A. Free Enterprise					1		1			
B. CCA Proposal					1					
C. Minor Improvements				1	1		1			
D. Stabilization Plan				1						
E. No clear recommendations	1	1	1			1		1	1	1
2. INCREASED STATE INTERVENTION:										1
A. NFU Livestock Policy/Marketing Board										1
B. Protection with Tariffs and Quotas										1
C. Price based on real production costs										
D. Control intermediaries										
E. Long term policy needed							1			
F. Equal representation on a Board necessary										

		1		1	1	1		1	1	1	1	1			1	1			1	1	1
		1			1			1	1	1	1	1			1	1			1		1
		1			1	1		1	1	1		1				1				1	1
		1			1	1		1	1	1					1	1					
				1																	1
1		1	1		1			1	1	1	1	1	1	1	1		1	1	1	1	1
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1		1	1					1	1	1	1	1	1	1	1			1		1	1
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		1			1	1	1		1						1						

111	112	113	114	TOTALS
1		1	1	77
		1	1	47
1				15
				8
				7
				23
	1			5
				2
				3
				1
				2
				4
				26
				24
				9
1	1	1	1	34
				11
				5
1		1	1	72
	1			41
				24
1		1	1	94
		1	1	65
1		1	1	76
				4
1		1	1	47
1		1		51

1		1	1		78
1		1			47
		1	1		37
1			1		37
					15
					8
1	1	1	1		78
1		1			35
	1	1	1		49
1					29
1					26
1					40
	1	1	1		78
	1				36
					25
		1	1		38
					26
					12
1	1	1			95
1		1			30
1					36
					25
1	1	1			81
		1			17
					2
1					5
					42
					15
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					18

1	1				64
	1				31
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		1	1		44
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		1	1		35
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APPENDIX III: LETTER FROM THE PUBLIC ARCHIVES OF CANADA

Public Archives
CanadaArchives publiques
Canada

Archives Branch Direction des Archives

385 Wellington Street
Ottawa, Ontario
K1A 0N3385, rue Wellington
Ottawa (Ontario)
K1A 0N3

Your file Votre référence

Our file Notre référence

11 December 1986

8051-86-W-8616

Mr. Quentin Chiotti
 Department of Geography
 University of Western Ontario
 LONDON, Ontario
 N6A 5C2

Dear Mr. Chiotti:

In reply to your letter of 20 November 1986 concerning access to certain records of the Commission of Inquiry into the Marketing of Beef (RG 33/72, Vols. 11-13), I wish to inform you that in May 1976, the time of the transfer of these records to the Archives, an undertaking was made by the Commission that confidential financial information supplied to the Commission by various companies would not be released for research purposes. As a matter of fact, this undertaking was confirmed by the Commission in writing to each of the companies concerned.

As only ten years have passed since the transfer of these records to the Public Archives, it is not possible for us to justify the release of such confidential financial information to you at this time.

As you may know, the records created by this Royal Commission are not covered by the provisions of the Access to Information and Privacy legislation (29-30-31 Eliz. II, c. 111, 1982). In this case, therefore, a formal access request cannot be filed under this statute.

I regret that I cannot offer you any further assistance with this matter.

Yours truly,

James M. Whalen
 Archivist
 State & Military Records
 Government Archives Division

/md

Canada

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