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Canadian Agricultural Economics and Farm Management Society. Canadian
Agricultural Economics Society.

Canadian journal of agricultural economics.

[Ottawa]; Canadian Agricultural Economics and Farm Management Society.,

Volume / Issue: 39 Pagination: 727-738

Article Author: Van Duren E et al

Article Title: Assessing the compertitiveness...

Date of Article: 1991

ISSN: 00083976

Lending Unit: 3170 Expiry Date: 20100331

Return Address:

Lender's Request ID:



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Requesting Unit: 2848

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Delivery Service Identifier : Fax: 012 362 5314

Delivery Service Address : IP 137.215.26.249

Patron ID: 2848-04201019 Patron Name: Funke, Thomas

The Chairman of the Agri-food Competitiveness Council is Larry Martin, who has chaired the Task Force. He will work with a group of 16 directors. A larger general body that will represent the diverse regional and commodity interests will be named in the near future.

Copies of the Report to Ministers can be obtained from Charlie Milne at the Agri-food Competitiveness Council's offices at (519) 837-5849.

Assessing the Competitiveness of Canada's Agrifood Industry

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1. INTRODUCTION

Like Canada's other industries, Canada's agrifood industry must be able to compete in an increasingly demanding and global business environment if it is to survive and prosper. The Canada-U.S. Trade Agreement (CUSTA), potential provisions of the North American Free Trade Agreement (NAFTA), other trade agreements and increased consumer awareness over nutrition, food safety, the environment and other pressures suggest that Canada's agrifood industry needs to adjust if it is to continue to be a major source of wealth and employment.

Government in Canada appears to be committed to working with industry so that it can improve its competitiveness, both in general and in the agrifood industry. In the agrifood industry, efforts to increase the industry's competitiveness have been underway since CUSTA came into effect. During 1989 and 1990, Ontario's Industrial Restructuring Commission focused much of its effort on determining policy changes that would allow Ontario food processors to be more competitive. Since 1989, the Food Policy Task Force of Industry Science and Technology Canada (ISTC) has been concerned with improving the competitiveness of the food processing industry. In June 1990, Agriculture Canada's Task Force on the Competitiveness issued its conclusions and recommendations. Currently, the Canadian International Trade Tribunal (CITT) is conducting an in-depth analysis of the competitiveness of Canada's fruit and vegetable industries. It will report in December, 1991. Ontario's Ministry of Agriculture and Food (OMAF) and two other provincial ministries are currently assessing the competitiveness of its agrifood industry. Most recently, on June 4, Agriculture Minister McKnight announced the formation of the Competitiveness Council. The Council will be industry led and, initially, it will focus on ways to increase productivity.

If government in Canada truly wants to create the conditions that allow the agrifood industry to be internationally competitive, it needs answers to the following questions:

- (1) What is competitiveness and how competitive is Canada's agrifood industry?
- (2) What factors enhance, or contribute positively, and which impede, or contribute negatively, to the agrifood industry's competitive state?
- (3) What are the criteria for public policy that would enhance the agrifood industry's ability to be competitive? What policies, programs and instruments meet these criteria?

This paper analyzes these issues in the order presented above. It is based on four studies with which the authors have been involved.

2. DEFINING AND MEASURING COMPETITIVENESS

Competitiveness is used to mean many different things by many different people. It can be used as an excuse for protectionism, cost cutting or it can be used to inspire innovation and productivity increases. As an economic concept, competitiveness needs to be defined more carefully, as it has been by the Task Force on the Competitiveness of the Agrifood Industry. According to the Task Force an industry is competitive if it has "the sustained ability to profitably gain and maintain market share in domestic and/or foreign markets". This definition implies that a competitive industry cannot be created through government assistance.

The above definition of competitiveness can be used in economic analysis because it can be used to assess the competitiveness of an industry. However, to assess competitiveness one must be able to measure it and diagnose the factors that encourage or impede it. Three related schools of thought provide concepts that are useful in constructing a framework for measuring and diagnosing competitiveness.

Neoclassical Economics

In the neoclassical economics' view a country is competitive in some homogenous product "A" relative to another homogenous product "B" if it has a relative cost advantage in producing and marketing A. This familiar concept of comparative advantage is usually applied by measuring costs, measuring productivity and drawing inferences from market shares. More often than not the costs that are measured are absolute costs, not relative costs, and the resulting information says little about comparative advantage. Measuring productivity is also done poorly. Total factor productivity is seldom measured. More often the productivity of a subset of inputs is measured, and the interactions among inputs and the importance of associated services are ignored. Drawing inferences from changes in market share is the most useful contribution of neoclassical economics to assessing competitiveness, since market shares reveal relative total economic performance. However, neoclassical economics does not account very well for qualitative differences in products, relative marketing and service abilities and the dynamics by which industries attain competitiveness.

Industrial Organization Economics

Industrial organization economics, at its extreme, derives from the theory of monopoly and monopsony and the motivation to measure the resultant economic welfare loss. Its main hypothesis is that there is a causal link among industry structure, conduct and performance (S-C-P). There are some basic limitations to the S-C-P paradigm including lack of convincing evidence that a highly concentrated structure leads to high profits, a faulty presumption that economies of size lead to anticompetitive behaviour and its inability to handle dynamics. Only 50 percent of 1979's Fortune 500 firms still exist today. This is not surprising, given that success invites competition in whatever form it can take, as would be predicted by the Chicago School. However, the industrial organization paradigm does point

us to the importance of rivalry within an industry. A higher degree of rivalry would be expected to increase competitiveness. The industrial organization economics school has also fostered the development of the best quantitative data that are available at the industry level.

Strategic Management

The strategic management approach to assessing competitiveness has advanced considerably in the last decade, primarily through the works of Michael Porter. *Competitive Strategy* (1980) focuses on the competitiveness of an industry relative to its suppliers, buyers and other threats. *Competitive Advantage* (1985) focuses on how the firm should configure itself to increase its competitiveness and *The Competitive Advantage of Nations* (1990) focuses on the competitiveness of an industry in one nation relative to its international counterparts. Strategic management research is conducted using case studies of firms, industry segments and industries. Of the three approaches discussed, it is the strongest in explanatory power, at least for the cases studied. It can also be used to understand the dynamic of change in an industry. However, strategic management research has not advanced to the point where it provides generalized statistically testable hypotheses, and it cannot be used to predict, quantitatively, the effects of public policy and management decisions on an industry's competitiveness.

2.1 A Conceptual Framework for Assessing Competitiveness

To assess competitiveness and properly understand the role of private business strategy and public policy, we integrated the Task Force definition of competitiveness with the relevant concepts of neoclassical economics, industrial organization economics and strategic management. Competitiveness is "the ability to profitably gain or maintain market share in domestic or international markets". This is broadly consistent with the goals of firms; high levels of, or growth, in profits or sales. It is also consistent with the goals that governments try to achieve for their countries with economic and commercial policy. Given this definition of competitiveness, business strategy can be defined as taking advantage of those factors which business does, and can best, control in order to achieve competitiveness. It then follows that public policy for competitiveness should focus on the factors that can best be controlled by governments and creating the conditions that will allow business strategy to be more effective. However, the factors that affect competitiveness do not fall neatly into these two categories. Therefore, we used the sets of factors indicated in Figure 1 as the bases of our framework for assessing competitiveness.

Competitiveness Indicators

Our fundamental indicators of competitiveness are market share and profits. Methods for measuring these, and the factors discussed below, are discussed in a subsequent section.

Factors Controlled by the Firm:

One set of factors, which must be taken advantage of appropriately, are those that are controlled by the firm through its business strategy. Strategy, products, tech-

However, input prices, demand conditions and other quasi-controllable factors affect private strategy and public policy. International trade policy is also, at best, quasi-controllable.

Non-controllable Factors

Some factors cannot be controlled. Endowments of natural resources and others envisioned as being important by the neoclassical economics school are included in this category. The effects of non-controllable factors can be mitigated by firms and governments (ie. crop insurance).

2.2 Implementing the Framework for Assessing Competitiveness

To develop a model of causal relationships among indicators and factors affecting competitiveness, it is necessary to organize the concepts from Figure 1 into systematically measurable variables. Figure 2 summarizes the variables that can be computed from quantitative data and qualitative data that are available for specific industries within the agrifood industry in Canada and the U.S. The quantitative data are drawn from the Census of Manufacturers, sources compiled by trade associations and farm and processor level data collected by government. The qualitative data are generally obtainable from trade publications, industry studies by consultants, governments and universities and in-person surveys of food industry executives. The available data were used to apply the framework by grouping them according to the two competitiveness indicators (profits, market share) and the seven competitiveness drivers (Figure 2). The indicators and drivers are discussed below, followed by an explanation of our assessment procedures.

Competitiveness is indicated by:



Competitiveness is affected by factors that are:



Figure 1. Conceptual Framework for Assessing Competitiveness.

nology, training, internal research and development and costs are the critical variables. Strategy can be analyzed by examining the firms' goals and objectives, product and market mix, and basic competitive thrust (low cost, differentiation, niche).

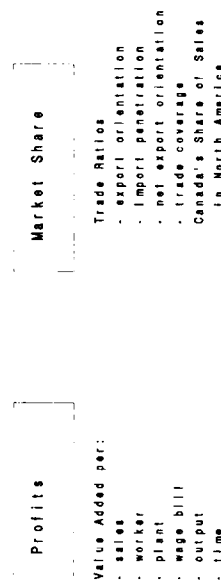
Factors Controlled by Government

Government has an impact on competitiveness because it controls a nation's business environment, through fiscal and monetary policy, research and development policy, market structure (through competition policy), education, training and labour policy, and in many industries, through industry specific programs and regulations. Industry specific policy is particularly important in the agrifood industry. Marketing boards and technical regulations have significant impacts on the incentives and abilities of participants in the agrifood industry to develop the linkages they need to be competitive.

Quasi-controllable Factors

Neither private business nor government can control all the factors that affect competitiveness. One set of these factors can at best be only influenced. Input prices are a quasi-controllable factor because, to the extent that they are traded internationally, no company or government has control over them except through the use of contracts or forward pricing instruments. Demand conditions also falls into this category because firms, trade associations and governments have limited ability to encourage demand through product-specific or generic advertising programs.

Competitiveness is measured from the perspective of and with:



Using the following drivers:

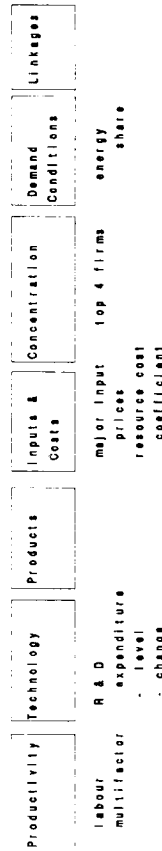


Figure 2. Measuring and Diagnosing Competitiveness.

Indicator 1—Profits

At the industry level we used an indirect indicator of profits. Profits are relevant to a firm, and because of differences in accounting procedures, structure of firms (single business unit versus consolidated) and differences in sizes of firms, it is extremely difficult to construct an accurate indicator of profit at the industry level. Value added was chosen as the indicator of profits at the industry level in this study because it indicates the industry's surplus over raw material costs, is measured consistently across industries, and because it is consistent with the broad objectives of food processors (to add value to raw agricultural products) and governments (which favour value adding, employment generating industries). In order to compare the value added by Canadian agrifood industries to their U.S. counterparts, value added was expressed as a ratio of multiple variables: sales, the number of production workers, the cost of labour, the number of plants and when relevant, output levels. These data are available from the Census of Manufacturers. Relative levels and growth rates of these value added ratios were compared.

Indicator 2—Market Shares

Market share variables, that are useful indicators of competitiveness, can be constructed for an industry in a number of ways. For Canada's agrifood industries it seems most sensible to focus on Canada's share of the North American market, and as well conducting a comparison of some basic trade ratios for Canada and the U.S. over time. The export orientation ratio, which expresses the domestic industry's exports as a percentage of domestic production, and the import penetration ratio, which expresses imports as a percentage of domestic consumption, are useful for this comparison. The net export orientation ratio, net exports as a percentage of the average of domestic production and consumption, was also used since it provides a good view of the relative importance of exports and imports.

Driver 1—Productivity

Productivity is an important driver of competitiveness, but it is difficult to obtain food industry data for the appropriate productivity variable -- multifactor productivity. Data on the productivity of individual factors, such as labour, are available, but reliance on these data can produce misleading results. For some industries it was possible to construct measures of labour productivity, but since this could not be done for those with diverse outputs (ie. horticulture), we did not use this variable. We also obtained assessments of productivity from senior managers in the industry through the use of detailed in-person surveys.

Driver 2—Technology

Levels and changes in research and development expenditure are useful representations of technology, although they do exclude technology transfer from other industries and other countries. A less direct measure of technology, the capital-labour ratio, is more readily available by industry. Unfortunately none of these data are available for specific food industries. Therefore, we relied on data for the Canadian economy as a whole and qualitative data for the agrifood and specific food industries. We also obtained assessments of technology from managers in the industry.

Driver 3—Products

Products and their associated services are a critical driver of competitiveness. Unfortunately, we do not know of a systematic measure that encompasses the important physical and service characteristics of a food product: quality, convenience, safety, nutritional value and its environmental impacts. Therefore, we relied on assessments of products from managers in the food industry.

Driver 4—Inputs and Costs

Inputs and costs are an important driver of competitiveness, but they are very difficult to measure in a meaningful way. Therefore, we used several measures in order to minimize the risk of drawing inappropriate conclusions from the data that are available. First, we simply compared the price of major inputs in Canada and the U.S. over time. Second, we constructed a resource cost coefficient, the unit cost of production for a representative product. Comparing the resource cost coefficient between Canada and the U.S. allows one to determine if the higher price of one input is offset by lower prices on others. We also obtained assessments of inputs and costs from managers in the industry.

Driver 5—Concentration

In an attempt to include some of the concerns of the industrial organization school in explaining competitiveness, we include the CR₄. We use this as a rough indicator of relative industry scale and structure. We also obtained assessments of industry concentration, as well as industry structure, from managers in the industry.

Driver 6—Demand

Since demand is a critical factor in the formulation of private business strategy, and one which is only quasi-controllable, we constructed a variable to represent the changes in demand over time for both Canada and the U.S. We used the "energy share" of a food, the energy intake for an average consumer that is supplied by a food over total energy from food, as an approximation of demand. Although this variable does not explicitly account for relative prices and incomes, it does reveal changes in preferences and the extent to which these were reflected in consumption. We also obtained assessments of demand from managers.

Driver 7—Linkages

Linkages refer to the relationships between firms and their suppliers and customers. Linkages include the processes by which buyers and sellers negotiate prices and terms of exchange, co-production arrangements and/or the services associated with a business transaction—any action or arrangement that is beneficial to both parties. Obviously there are no quantitative data on linkages in the agrifood, or any other, industry. Therefore, we relied on assessments from managers.

Synthesizing and Deducing

Given the mix of quantitative and qualitative data available on competitiveness indicators and competitiveness drivers, a combination of quantitative and qualitative approaches was used to assess the competitiveness of Canada's agrifood industry.

First, Canada's competitiveness was measured by comparing the indicators described above for Canada and the U.S. and European Community (E.C.) in 1986-87 and to the U.S. over time. Although this comparison is not perfect, it is more than adequate for an industry level comparison, since most managers in most Canadian agri-food industries feel that the U.S. offers the most intense competition. It is also the only feasible approach since we could not obtain data that were comparable to Canada and the U.S. for the E.C. for a longer period of time.

Second, the state of the competitiveness drivers was compared for Canada and the U.S. Given that quantitative data formed a part of only a subset of the information on the competitiveness drivers, we relied significantly on Canada-U.S. comparisons of qualitative data.

Third, the strength of the relationships among the competitiveness drivers and competitiveness indicators was evaluated using the quantitative and qualitative information.

3. RESULTS

Presenting the results our assessment of competitiveness presents a formidable challenge in a paper of this length. Therefore, this section focuses on the measures of competitiveness through a summary of the quantitative results, while the next section deals with the role that public policy and the competitiveness drivers have in creating competitiveness.

Table 1. Canadian, U.S. and E.C. Competitiveness Scores by Industry

Food - Rank	U.S.			Canada			E.C.		
	1	2	3	1	2	3	1	2	3
Scores									
Meat	2	1.7	2.3						
Dairy	1	2	3						
Horticulture	1	2	3						
Bakery	1	22.3	3						
Pasta	1.3		2.3						
Beverages	1.7	2.7	1.7						

Lowest score indicates the most competitive industry

Table 1 contains Canadian, U.S. and E.C. competitiveness scores for several food industries for the 1986-87 period. The scores were constructed by determining which country ranked first, second and third on value added per dollar of sales, value added per worker and value added per plant and taking a simple average of the rankings. The results indicate that the U.S. food industry is the most competitive, followed by Canada's and then the E.C.'s. Canada's meat industry is more competitive than the U.S., while the E.C.'s ties with the U.S. in beverages. In all the other food industries the U.S. is most competitive. In order to measure the competitiveness of Canada's food industries over time the value added measures described in

Figure 2 were calculated for specific food industries for 1970 and for 1980 to the most recent year for which complete data were available. Table 2 summarizes a subset of the measures for a representative year at the beginning of the 1980s and near the end of the 1980s. It suggests the following conclusions.

Table 2. Summary of Competitiveness Measures

	Value added per:									
	\$sales (%)		Worker (real \$ wages (%))		Plant (real mil \$)		Shares of sales in NA (%)		Net export orientation ratio (%)	
	1980	1987/88	1980	1987/88	1982	1987/88	1982	1987/88	1982	1987/88
(a) Poultry										
Canada	20.8	24.4	42.9	45.1	192	211	3.8	4.6	11.3	11.5
US	22.3	27.6	31.1	41.6	241	264	6.2	12.0	88.7	88.5
Diff.	-1.5	-3.2	11.8	3.5	-49	-53	-2.4	-7.4	NA	NA
(b) Fruits and vegetables										
Canada	34.7	38.9	72.9	101.9	369	488	4.8	6.0	7.2	8.0
US	39.7	47.5	79.6	132.1	428	622	8.6	12.0	92.8	92.0
Diff.	-5	-8.6	-6.7	-30.2	-59	-134	-3.8	-6	NA	NA
(c) Wheat based products										
Canada	42.5	46.3	63.0	71.0	284	302	1.1	2.8	9.9	9.2
US	49.9	61.2	121.	193.0	511	646	7.3	9.6	90.1	90.8
Diff.	-7.4	-14.9	-58	-122	-227	-344	-6.2	-6.8	NA	NA
(d) Dairy										
Canada	18.8	24.6	82.0	130.0	395	480	3.0	3.1	14.0	14.7
US	21.6	24.9	101.0	138.0	595	660	5.1	5.0	86.0	85.3
Diff.	-2.8	-0.3	-19	-8	-200	-180	-2.1	-1.9	NA	NA
(e) Red meat										
Canada	17.1	20.9	69.0	70.0	258	276	3.1	3.3	5.1	5.1
US	14.8	15.7	111.0	138.0	289	359	4.1	4.6	94.9	94.9
Diff.	2.3	5.2	-42	-68	-31	-83	-1	-1.3	NA	NA

First, Canada's food industries are less competitive than their U.S. counterparts. Canadian industries generally have lower value added measures and perform more poorly on the basis of market share measures.

Second, Canada's food industries are generally become less competitive than their U.S. counterparts over time. In most instances the difference between the Canadian and U.S. score on a measure increased from the beginning of the 1980s to the end of the 1980s. The exception is Canada's share of North American sales, only Canada's wheat based products industry lost market share. However, the composite of the measures suggests Canada's competitiveness in food is declining.

Third, for the measures which indicate that Canada's food industries are less competitive than their U.S. counterparts, Canada's lag is, in general, most pronounced for value added per plant.

Fourth, Canada's competitiveness relative to the U.S. has declined more on the basis of value added per worker than any other measure in three of the industries, except in red meat, in which the decline is the same as value added per wages, and in wheat, in which the decline is slightly higher for value added per wages.

Based on the above, we conclude that Canada's food industry is less competitive than its U.S. counterpart, that Canada's disadvantage is increasing, and that this is due to methods with which labour and capital are combined in Canada compared to the U.S.

4.0 DIAGNOSING COMPETITIVENESS

Figure 2 indicates that there are several drivers of competitiveness. Many Canadians feel that Canada cannot compete and their arguments focus on macroeconomic competitiveness drivers. The following arguments are made for Canada in general as well as the agrifood sector. The Canadian dollar is overvalued, Canada's wage rates are too high, Canada's interest rates are too high, and in the agrifood industry, Canada's raw product prices are too high. There is more to the story. Although, it is impossible to discuss the drivers that enhance and impede competitiveness for each of the food industries measured in Table 2 in a paper of this length, we can provide an overview of our analysis.

Wage Rates and Labour Costs

With the exception of the poultry industry, wage rates -- labour costs per unit of labour—in Canada's food industry are lower than the U.S. But, labour costs per unit of output are higher than in the U.S. This suggests that the productivity of resources, including—but not just—labour, is lower in Canada than in the U.S.

Scale and Scope of Production

Canadian food processing plants are, on average, significantly smaller in scale than their U.S. counterparts. This is hardly surprising given that Canada's plants were located to serve a small east-west oriented market that was protected behind tariffs that averaged 15 to 20 percent, and faced similar tariffs entering the U.S. Although the U.S. industry also had tariff protection in many food industries, the sheer size of the U.S. market led firms to build plants that were much larger in scale than in Canada. However, according to many managers in the food industry, Canada's plants are more flexible than U.S. plants because Canada has more experience with shorter production runs and switching of product lines. However, multiple plant firms in the U.S. likely have a higher degree of total flexibility.

Raw Agricultural Product Prices and Costs

Prices of raw agricultural products tend to be higher in Canada than in the U.S., and in many instances this differential is induced by the activities of marketing boards. However, the lower productivity of Canada's food processing aggravates Canada's relatively higher raw product prices, and these raw products costs deviate further from the U.S. than for raw product prices.

Energy Costs

Most food processing activities require a substantial input of energy. Energy prices are a distinct source of competitive advantage for Canada. On average, electricity

and natural gas prices in Canada are 20 to 25 percent lower in Canada than in the U.S. Water is also priced competitively, especially if one considers the differential between Ontario and California. California's water shortage by itself should be enough to induce Canadians to discount the arguments of those who imply that California's agrifood industry will end up growing and processing everything that is edible.

People

Canada's food processing industries have access to a labour force that has good skills and education. They also have managers whose backgrounds are more broadly based than their U.S. counterparts because, with smaller plants that produce multiple product lines, senior managers are forced to learn a larger variety of skills and develop a broader base of knowledge.

Linkages

Canada's agrifood industries are increasing the number and quality of linkages with suppliers and buyers, but there are impediments. Many firms are developing preferred supplier programs with packaging and other ingredient suppliers, especially since the CUSTA was negotiated. In the poultry industry, many are also working with buyers to mitigate the effects of supply management. In fact, it is Canada's agrifood policies that do most to discourage linkages within the agrifood industry. The effect is most extreme in industries with supply management. Contrary to the U.S. system, supply management raises prices, limits production and discourages scale. However, marketing boards can also facilitate linkages, since they centralize decisions on production, price and terms of trade.

5. WHAT IS THE APPROPRIATE ROLE FOR PUBLIC POLICY

To determine the appropriate role for public policy in enhancing the competitiveness of Canada's food processing industries it is necessary to measure competitiveness, determine the fundamental negative and positive drivers, determine the characteristics of appropriate public policy, and last, design programs and regulations that deal with the issues appropriately and possess the desired characteristics.

The discussion in sections three and four suggests that Canada's food processing industry must become more productive and needs to take advantage of Canada's people, energy prices and marketing board system.

The policies that are implemented must reward firms that are innovative, since this is the only source of sustainable competitive advantage. This means that they must reward firms that take intelligent risks and perform. This means that some firms will not benefit from government policy. Policies must also be issue oriented and as comprehensive as possible. This means that one policy that solves a problem is better than many policies that alleviate disparate symptoms, which in many cases result from the same problem. Last, in preparation for a truly fair and thus very demanding international trade regime, Canada's agrifood policies must at a minimum meet GATT standards. However, to be prepared they should exceed GATT requirements and be based on economic logic, not politically motivated compromise.

Not many programs and policy instruments are required to enhance the ability of Canada's agrifood industry to become competitive, but many that exist today will have to be rationalized and altered fundamentally. Improving the tax profile for Canada's agrifood industries so that they have access to similar provisions for investment, operating and research and development capital as their U.S. counterparts would be an excellent first step.

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Competitiveness in Canadian Agriculture

G.B. Parby

We have the will and the talent to compete. We need to revisit, test and confirm our values. We may wish to add some such as Japanese savings rates and American freedom to succeed or fail on individual merits and entrepreneurship.

Given the quality of Canada's natural resources, most often we will be competing on a basis of comparative advantage rather than absolute advantage. We need to continue to test time-use preference rates and ensure that irreversibilities are minimized.

Farm commodity groups, food processors and governments need to support continued research and technology development to improve agriculture and food businesses ability to compete globally. Since much of the technology is not transferable, it is essential that all groups work to ensure that leading edge technology is available to reduce costs and capture markets. These technologies need to be sensitive to consumer demand and food safety imperatives.

We need to revisit the cultural values that make ownership an imperative. If we require too high a saving rate to finance ownership from within the industry, we may jeopardize our competitive position.

It is important that we test whether increased capital costs due to capitalization of future streams of benefits into fixed assets will result in reduced competitive ability in the future. If so, the policy environment of the future needs to reflect this knowledge.

We need to know more about markets, how they change and how change can be managed rather than frustrated.

Government legislation, regulation, and subsidies need to be reviewed and rationalized to meet new trading rules within the global economy. This is the most fruitful area of endeavour for the nineties. It will be a challenge to crack the hardened fossilized exterior of legislation and regulation. It is essential to do so before substantive industry competitiveness can be achieved.

We need more market information to determine the characteristics of our competition and more cost information to determine our competitive position individually and collectively. Since globally we are small, it is essential to know what is happening and how we are faring. The need for this knowledge transcends the narrow self-interest that tends to suppress information to ensure competitiveness on a captive domestic market.

Resources must be employed year round despite the harsh climates that much of our industry must operate in.

The farm supply, transportation, marketing and service sectors need to be competitive to improve the farm gate price for farmers. This will mean reducing the level of legislative protection provided to them so they can pass on the rewards of innovation to farmers just as farmers pass these on to consumers wherever they are operating in a competitive market.