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***An Evaluation Of The Northern
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AN EVALUATION OF THE
NORTHERN SASKATCHEWAN
FOOD SUBSIDY PROGRAM

A REPORT FOR THE GOVERNMENT OF THE
NORTHWEST TERRITORIES AND THE
DEPARTMENT OF INDIAN AND NORTHERN AFFAIRS

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1. INTRODUCTION

In September 1980, the Government of the Northwest Territories and the Department of Indian and Northern Affairs invited the Institute for Northern Studies to prepare an evaluation of the Food Subsidy Program of the Department of Northern Saskatchewan. Consequently a contract for \$4,485 was agreed to by the client (the Government of the Northwest Territories) and the Institute for Northern Studies. The contract called for a preliminary report by December 15, 1980 and a final report by January 15, 1981.

This evaluation was to be conducted by using secondary sources and interviewing DNS officials. Mr. Ray Begrand interviewed key members of the Department of Northern Saskatchewan in LaRonge and studied various files and documents on the food subsidy. While time did not permit interviews in the communities which received these subsidies, Mr. Begrand contacted store managers and local officials by telephone. Mr. Phil Chenard, the NMC representative for Area 1 where the subsidized program is found, was especially helpful. The DNS officials supplied valuable information and gave freely of their time to assist Mr. Begrand.

2. BACKGROUND

In the past, many isolated communities in northern Saskatchewan have relied heavily upon air transportation. By 1980, a few settlements still depend upon air transportation as a means of supplying food for a least part of the year. Air transportation is a relatively expensive means of bringing food stuffs into these communities. The end result is that the residents of these communities have had to pay much higher prices for their store bought food.

In 1977, the variation in food prices between communities in northern Saskatchewan became a concern of the Department of Northern Saskatchewan (DNS). In 1977, a DNS study of food prices in communities revealed a substantial price difference in similar foods between isolated settlements and communities served by the province's highway system.' This study identified five communities with very high food prices. These centers are Black Lake, Fond du Lac, Kinoosao, Stony Rapids and Wollaston Lake. All are located in the northeast corner of Saskatchewan and they must depend on air transportation for some of their food stuffs, particularly perishable vegetables and other such foods.

For 1977, a measure of the difference in food prices between La Ronge, a town served by paved road, and the five smaller settlements is indicated in the following table.

Table 1 - FOOD PRICE INDEX, 1977

<u>Community</u>	<u>Pre-Subsidy</u>	<u>Population (1977)</u>	<u>Distance from La Ronge (km)</u>
Stony Rapids	143	253	436
Kinoosao	135	80	284
Wollaston Lake	139	450	338
Black Lake	146	594	422
Fond du Lac	136	478	455
La Ronge	100	2000	

Source; Department of Northern Saskatchewan, "B" budget Submission, 1978-79

¹ Jones, Adrian, 1977. Proposals for Reducing Food Costs in Northern Saskatchewan. A. A. Jones & Associates Limited, Regina. Note: The DNS was only able to supply Mr. Begrand with part of this report (the summary statement and the section on alternatives).

The Department investigated the magnitude of the problem, by all communities in northern Saskatchewan. Its analysis of food retail prices proved that:

- 1) Transportation costs are the major causal factor for high food prices. More specifically, the air freighting of perishable foods is the primary reason for high food price indices in northern communities, north of 57° latitude.
- 2) The high cost of fresh perishable foods (meat, bread, dairy produce, fruit and vegetables) results in the substitution of non-perishable forms of these foods, e.g., canned meat, milk, fruits, etc., with the resultant loss in health or the actual abandonment of eating certain foods.

3. ALTERNATIVE PROGRAMS

In 1977, the Department of Northern Saskatchewan decided that a food subsidy program was necessary. Accordingly, the department prepared a budget request for 1978-79. In this request, they identified alternative programs. These programs are described below:

- 1) Concentrate on the plight of those on social assistance and increase the food allotment to make it reflect northern costs. This was rejected by Treasury Board and Cabinet.
- 2) A variation of the present proposal would be to combine food shipments to the five centers with backhauling fish to southern points. This alternative was rejected for the following reasons:
 - a. The Department would have to charter a Twin-Otter aircraft for a total cost of \$155,000 per year.

b. It would require a very large effort in coordinating food and fish shipments. As so, present shipping and delivery points will have to be changed, with no promise of cooperation from the participants.

c. Plane charter costs and staff requirements make this alternative a second choice.

3) Adopt the proposed method of subsidizing transportation costs.

4. FOOD SUBSIDY PROGRAM

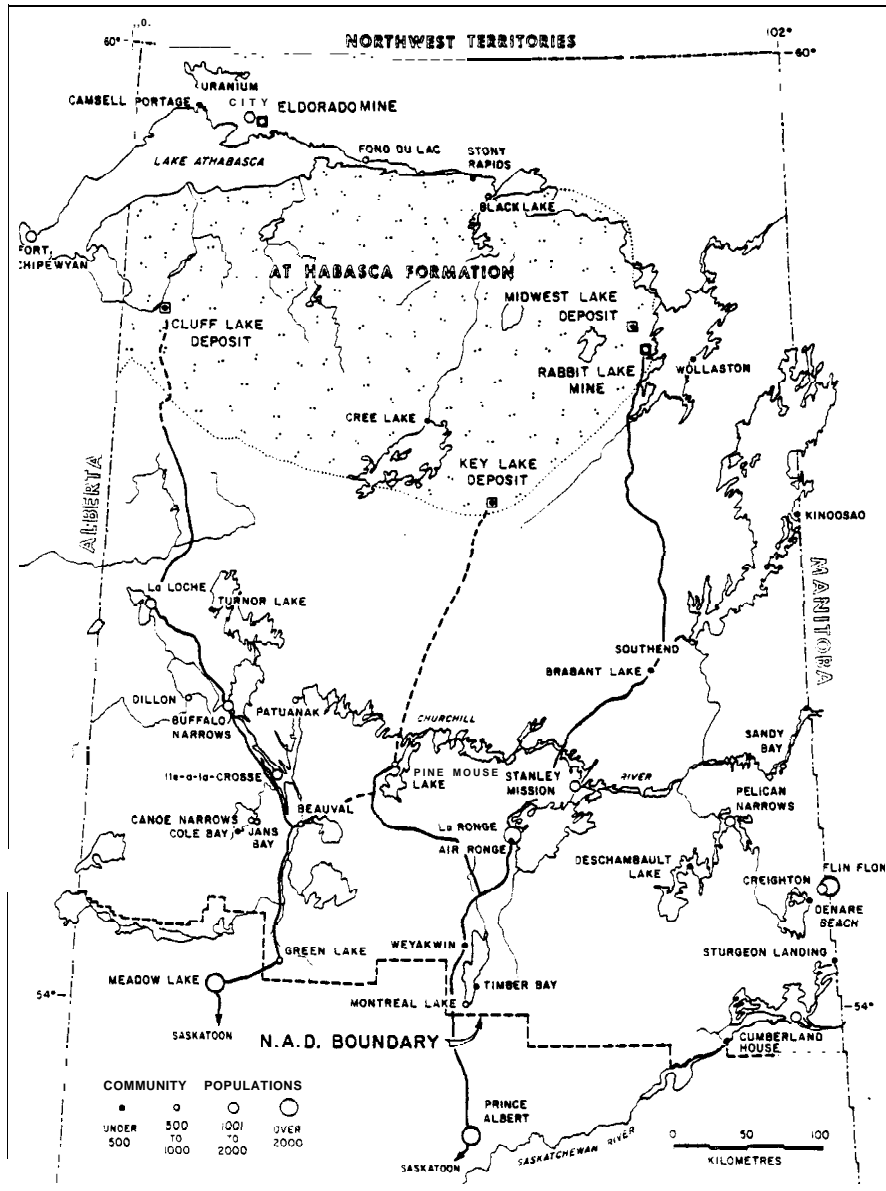
In 1978, the Food Subsidy Program for 67 foodstuffs* initiated by the Department of Northern Saskatchewan was established. This program encouraged food stuffs to be trucked to La Ronge and then flown to the five centres. The DNS subsidy is based on the cost of air transportation.

The main objective of the DNS Food Subsidy Program is to achieve approximate retail food price equalization with La Ronge for all perishable food items. Other objectives were to ensure shipper/receiver freedom in the methods of transporting perishable foods to designated centres; to promote shipment of perishable foods from Saskatchewan distribution centres; to maintain the profit margins for retailers; and to ensure that the program is relatively simple in structure and easy to administer.

The DNS subsidy was determined by the cost of transporting perishable goods from La Ronge base to the five isolated communities. The air transportation charges included all shipping and handling charges incurred between La Ronge and the communities. Delivery cost from the plane to the store in the community was also covered by DNS. In the case of Black Lake, Norcanair has contracted a local trucking firm to transport food stuffs

*The complete list of foodstuffs is found in the appendix A.

MAP 1: NORTHERN SASKATCHEWAN



from the airstrip at Stony Rapids to the store at Black Lake. The trucking costs to Black Lake (22 km.) are much higher than in the other four centres.

Food items covered under the subsidy include:

- dairy products
- vegetables (fresh and frozen)
- bread and pastries
- meat (fresh and frozen)

In the first year (June, 1978 to March, 1979), local store managers were encouraged to place orders with foodwholesalers and distributors within the province. Table 2 below identifies the initial response of these stores to the Food Subsidy Program.

Table 2 - DESCRIPTION OF FOOD SUBSIDY PROGRAM IN 1978-79

<u>Community</u>	<u>Stores</u>	<u>Participation</u>		<u>Location of Supplier</u>
		<u>Yes</u>	<u>No</u>	
Fond du Lac	Bay	x		Prince Albert/Edmonton
	A & B General Store	x		Prince Albert
Stony Rapids	Bay	x		Prince Albert/Edmonton
Black Lake	Bay	x		Prince Albert/Edmonton
Wollaston	Co-op	x		Prince Albert/Melfort
Kinoosao	Co-op	X*		Flin Flon, Manitoba

*Kinoosao participation was very limited (i.e. \$25/month)

Prior to the subsidy, the Bay managers for Fond du Lac, Stony Rapids and Black Lake ordered most of their goods from Edmonton which was then shipped via barge to those communities. Now, except for meat, food orders for these stores are made within the Province.

The Bay orders its meat from an Edmonton supplier; it is then trucked to La Ronge from Edmonton and then flown to the northern communities. The reason for obtaining its meat orders outside" the province, has been attributed to the lack of suppliers within Saskatchewan who will ship pre-cut and wrapped meat orders.

Wollaston Lake Co-op and A & B General Store, Fond du Lac, obtain their food and meat orders within the province.

Kinoosao's very limited participation in the program has been attributed to the inadequate air facilities. The air strip is capable of servicing only small air craft (Cessna 185's and twin otters). The community is very small and is accessible by road from Lynn Lake, Manitoba. It is anticipated that residents travel to the larger store at Lynn Lake to purchase their food stuffs. The manager of the Kinoosao Co-op Store as well as the local chairman of the Local Advisory Council were contacted ; however no response was received.

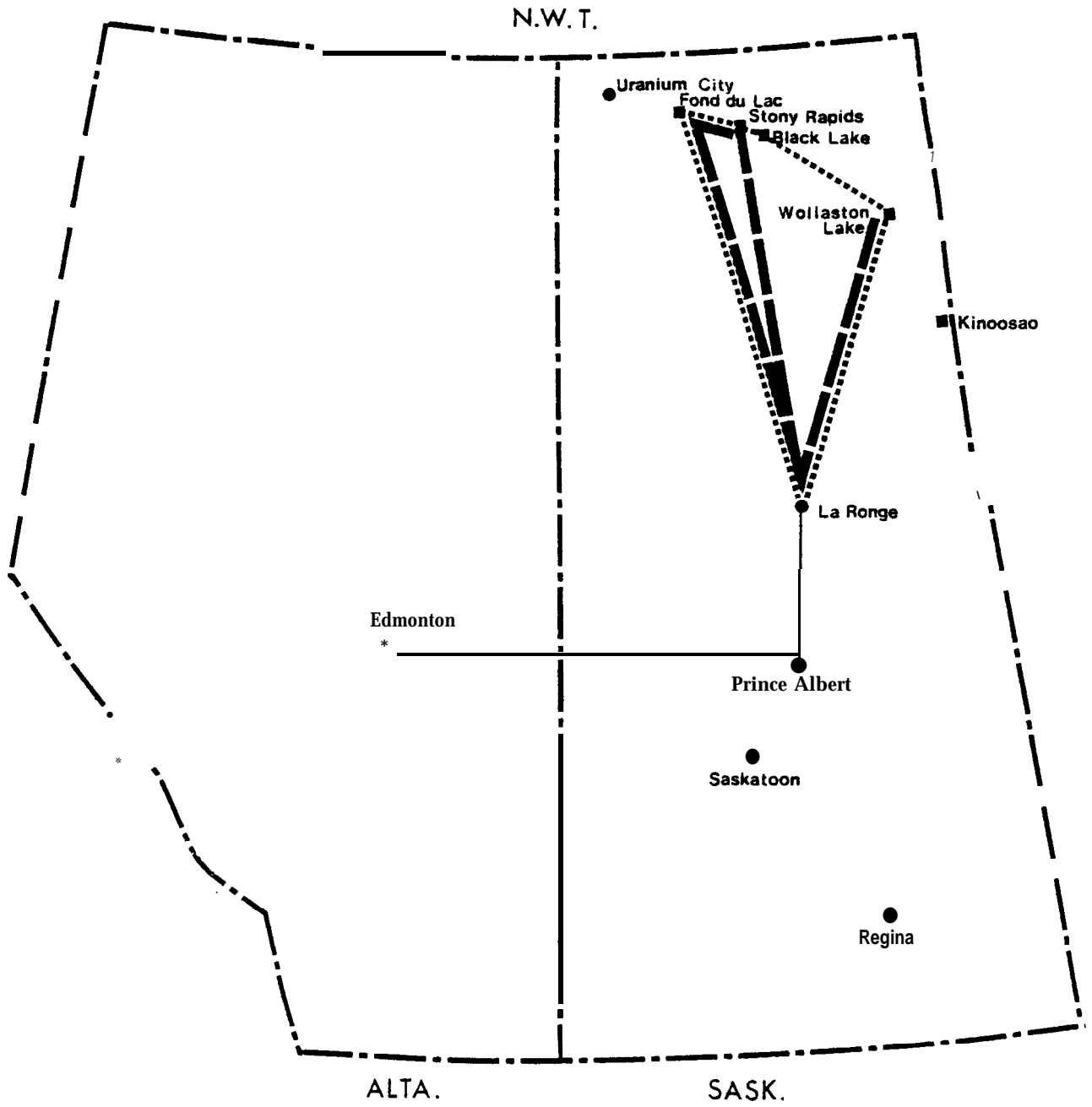
During the first year (1978-79), food orders were assembled at La Ronge and then transported on the scheduled Norcanair flights (F-27) into the five communities. This air transportation system created problems which will be discussed in section 6 of this report.

The local stores paid the Norcanair invoice and they then filed an application with the attached way bills for reimbursement from DNS. An additional 25 percent of the air freight charges were paid by DNS to compensate the stores for carrying charges incurred while waiting for reimbursement by DNS.

In the second year (April, 1979 to April, 1980), the program was changed. First of all, food orders were transported from La Ronge to the

MAP 2: GEOGRAPHIC LOCATION OF Communities

- Communities Participating in Subsidy
- ▬▬▬ Air Transportation (Chartered)
- ⋯⋯⋯ Air Transportation (Scheduled)
- Road Transportation



on savings to the consumer by limiting the mark-up on the retail price of perishable foods. The maximum retail price permitted under the program is established by the following formula:

$$\text{Maximum Allowable Price per Pound} = \text{Wholesale Price at Distribution Point (Prince Albert)} + \text{La Ronge}^A \times 1.25^B$$

(Where A is an adjustment made to the transport subsidy, aimed at bringing about approximate price parity with La Ronge and Where B is the maximum allowable mark-up is 25 percent.)

As an example, if the wholesale price of 1 pound of cheese at Prince Albert is \$2. then

$$\begin{aligned} \text{Maximum Price per Pound} &= \$2. / \text{lb. (Wholesale Price)} + \frac{4¢/\text{lb. (Transportation Cost P.A.-La Ronge)}}{\text{}} \times 1.25 \text{ (25\% mark-up)} \\ \text{Maximum Price per Pound} &= \$2.55 \end{aligned}$$

Theoretically, the retail prices at La Ronge stores and the participating stores in the isolated communities would only differ by variations in the retail mark-up. For example, if the La Ronge stores have a 20% mark-up on cheese and the stores in the isolated communities had a 25% mark-up, then the retail price difference for this community would be 5%. From a recent survey (November 1980), price differences averaged only 4%.

The Food Subsidy Program is administered by the Department of Northern Saskatchewan at LaRonge. The administration of this program is relatively simple and only involves 1-2 hours of manpower per month, i.e., the monthly payment of the air invoices for delivering certain food stuffs. Twice a year, DNS does an audit of the store records for the food subsidies. As well, store managers are required to send monthly price lists for the foods covered under the subsidy. From DNS's viewpoint, audits twice a year have not created undue strains on the DNS accountants.

Coordination of food orders and their shipments are the responsibility of the retailer, distributor, and air charter company.

5. COST OF THE PROGRAM

In 1979-80, the cost of the Food Subsidy Program was \$174,538. This subsidy was paid by the Department of Northern Saskatchewan. Next year, the program is expected to cost about one-third more because of increases in air transportation rates (see figure 1).

A detailed account of the monthly cost of this program is shown in Table 3. While the costs for 1979-80 total led \$174,538, the estimate for 1980-81 is \$230,000. If there are similar increases in the air rates (due primarily to changes in the price of aviation fuel), then the 1981-82 Food Subsidy Program could cost around \$300,000.

6. PROBLEM AREAS

The design and implementation of any program rarely goes along without the need for adjustments. As mentioned previously, there were a few weak areas in the Food Subsidy Program. The major concerns are outlined below. Some have now been corrected and others are expected to be rectified. The concerns noted below were those expressed to the author by various people within DNS, local stores and communities.

(1) Lack of Storage Facilities

The lack of proper storage facilities was an initial problem faced by the air charter company. The air charter company (Norcanair) did not have proper storage facilities at its La Ronge hangar to accommodate temporary storage of the food orders in the event that food charters were unable to fly due to poor weather conditions or due to the lack of cargo space. If a flight were cancelled, perishables would sometimes spoil because of improper storage.

Fig. I : TOTAL FOOD SUBSIDY

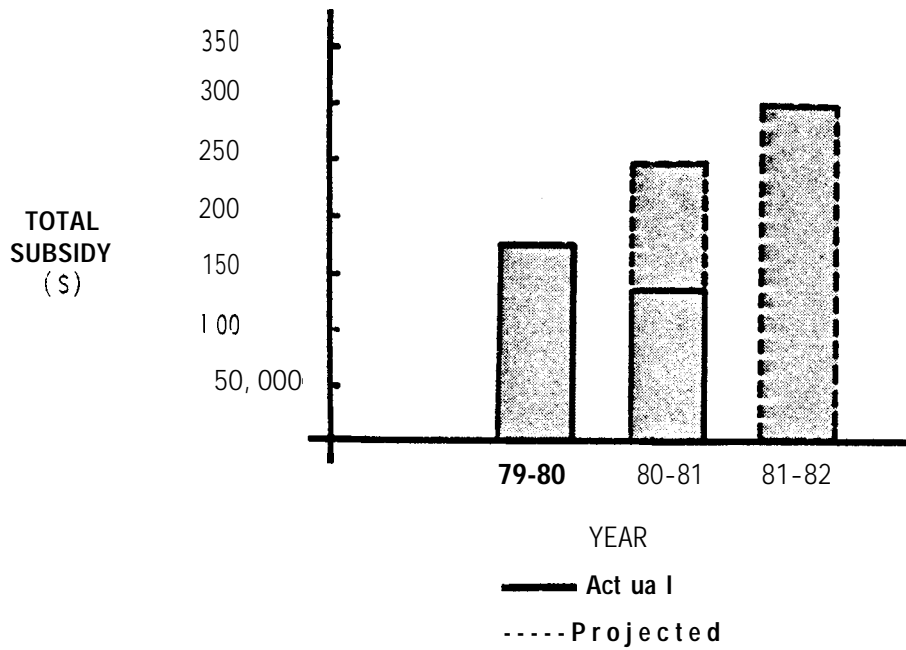
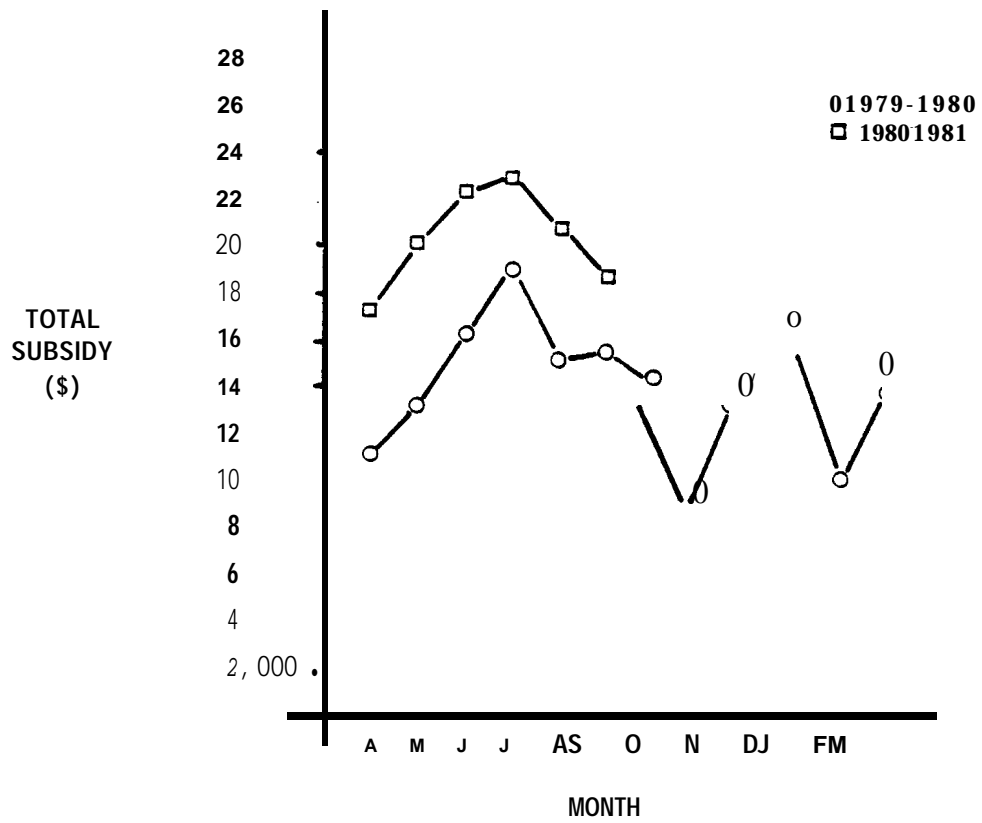


Table 3 - FOOD SUBSIDY: NORTHERN SASKATCHEWAN

Month	Wollaston Lake		Fond du Lac ^A		Stony Rapids		Black Lake		Total Subsidy ^B	
	1979-80 lbs	1980-81 lbs	1979-80 lbs	1980-81 lbs	1979-80 lbs	1980-81 lbs	1979-80 lbs	1980-81 lbs	1979-80 \$	1980-81 \$
April	3,868	10,076	9,264 ^e	12,733	7,549 ^e	4,061	10,848 ^e	17,870	11,260.00	17,622.00
May	13,687	12,395	9,264 ^e	12,216	7,549 ^e	9,317	10,848 ^e	22,230	13,680.00	20,787.00
June	13,846	12,272	11,494	15,573	8,712	10,197	19,300	23,777	16,353.00	22,491.00
July	21,372	17,176	10,417	13,564	13,349	12,443	13,010	13,593	19,305.00	23,224.00
August	22,593	18,430	8,444	11,181	7,810	8,941	8,233	11,801	15,446.00	20,820.00
September	19,785	12,220	10,764	12,516	9,977	9,788	11,092	13,870	15,997.00	18,879.00
October	19,273	6,304*	7,590	3,587*	9,337	5,762	9,390	6,417*	14,312.00	9,261.00*
November	7,935	-	7,486		5,487		5,474		9,897.00	
December	8,880		12,797		8,227		11,591		14,079.00	
January	9,382	-	12,538		8,236		14,572		17,397.00	
February	8,640	-	8,157		5,248		11,103		11,493.00	
March	9,413	-	12,225		6,652		15,564		15,319.00	
TOTALS	158,674	88,873**	120,440	81,370**	98,133	60,509**	141,025	109,558**	174,538.00	133,084.00**

A - Poundages include two stores: Hudson Bay Company and A & B General Store

B - Total Subsidy includes air transportation costs and other costs relating to shipment and delivery within the community

e - estimate

* - Food shipments incomplete for the month

** - Indicates Sub total

Note: No figures were available for Kinoosao which did not actively participate in this program.

Source: Department of Northern Saskatchewan, Administration Branch

Norcanair now has a refrigerated storage facility to store food orders. The wholesale distributors have arranged to deliver food orders from Prince Albert to La Ronge one day prior to the scheduled flight.

(2) Air Transport Schedule

In the first year (June, 1978 to April, 1979), food stuffs were shipped on the scheduled F-27 flights. Perishable foods did not receive priority on these flights. When there was no space available on the plane the food order was left at the airport in La Ronge. The problem of space on the scheduled carrier (F-27) became very serious in the months before Christmas 1978. At that time, the normal transportation demands (passengers and their luggage) for the F-27 scheduled aircraft were so strong that shipments of other freight were severely limited. As a result, food subsidy shipments were far below normal and the local residents complained.

In year two (April, 1979 to April, 1980) the use of DC-3 weekly charter flights reduced the problem of food spoilage and seasonal delays. The DC-3 carries a payload of 6,200lbs (2818 kg) and has the capacity to carry in weekly food orders to each community. If the DC-3 cannot ship all the food stuffs, then the remainder is either shipped by schedule aircraft or by a small charter aircraft.

(3) Inadequate Storage Space

Some of the stores in the communities were not equipped with sufficient refrigeration capacity to handle large amounts of perishable food. Thus,

which will help provide a weekly supply of fresh food to local residents.

(4) Shortage of Food

The Food Subsidy Program has resulted in the lowering of prices for perishable foods. Some communities have witnessed bulk buying by one or two local groups, leaving little for the other residents. This is not a problem related directly to the Food Subsidy Program, but rather a communication problem between store management and the bulk purchaser, who in one case was a small construction crew. Since the Food Subsidy Program is designed for local residents, the store manager has a responsibility to prevent bulk purchases by special groups, some of whom are not local residents.

(5) participation

As described earlier in this report, five communities were identified as high priced centres. Kinoosao, the smallest of the five communities, is the only one which has not participated in the Food Subsidy Program to any great extent. Its participation is quite sporadic, and amounts to not much more than \$25 in subsidy payments per month. Originally it was thought that the poor participation in the program was due to the lack of scheduled air service between La Ronge and Kinoosao. However, even after DNS converted to air charter food flights, participation did not increase. The airstrip at Kinoosao is only capable of handling small aircraft, and use of small airplanes increases the subsidy expense.

- (1) The most obvious achievement under the program has been the decrease of food prices in the four communities. As described earlier in the report, prior to the food subsidy, food price indexes in these five communities ranged between 135-146 as compared to 100 at La Ronge. The program enables the retailer to order substantial quantities of food, and to recover all transportation cost from DNS.
- (2) The food subsidy program has also increased food availability in the communities. By ensuring payment of transportation costs for perishables, stores are willing to order larger quantities of perishable foods with the knowledge that residents will purchase the lower priced food products.

In addition to increasing food availability in the communities, the program has improved the nutritional value of the diets of northerners. Gillis (1980)¹ states that per capita availability of nutrients had increased during the subsidy period.

- (3) The food subsidy program has achieved encouraging the purchasing of food from provincial distributors. All food orders are filled by provincial distributors, except for the meat orders placed by the Bay stores at Fond du Lac, Stony Rapids and Black Lake.

Wollaston Lake Co-op receives its meat supply from a Saskatchewan supplier.

- (4) The Food Subsidy Program has remained a simple program to administer.

(5) The system of air chartering of food orders into the communities has been very successful. A local concern is the desirability of more than one charter flight per week. On the average, one charter flight per week (DC-3) has delivered sufficient food supplies among the communities based on the orders placed by the store managers. Any surplus freight (i.e. - anything over 6,200 lbs.) is flown in on a special charter. Since the shipment by air is allocated proportionally among the stores at Fond du Lac, Stony Rapids and Black Lake, managers have coordinated their food ordering accordingly. Wollaston Lake Co-op receives one DC-3 charter per week which is made up of both perishables and non-perishables. The subsidy applies only to the perishables, and the Wollaston Co-op has to pay the regular freight rate for its non-perishable goods. Although one charter per week has improved food availability, some locals feel that the stores could order a great deal more perishable food each week.

8. LOCAL REACTION

By and in large, local reaction to the food subsidy program has been favourable. In conversation with various people in the communities (see appendix for list of people contacted in the communities), the most frequent comments received were that the people enjoyed the fresh meat, eggs, fruits and vegetables at low prices. Some disappointment was expressed at the limited availability of these foods, i.e., sold out after several days. At a few stores, all fresh fruits and vegetables were reportedly gone the day of the delivery.

The store managers of the four stores at Fond du Lac, Stony Rapids, Wollaston Lake and Black Lake¹ were unanimous in saying that the program is very successful. The managers have noticed a general increase in sales, and foods which were normally sold by small amounts are now purchased by increasingly larger amounts. An interesting point was brought up regarding purchasing habits of northerners. For examples, beef, pork and chicken purchases by native people declined considerably in the fall and winter. During this period, wild game, particularly caribou is easily obtained and stored. Another example is the increase of bread and pastry purchases during the summer. The store managers felt that few people wished to bake bread during the warm time of the year, and resorted to purchasing bread from the store.

The federal health workers located in Black Lake, Fond du Lac and Wollaston Lake were contacted with regards to the Food Subsidy Program. To the best of their knowledge, the program seemed to be working very well. They noticed that food was available on a more regular basis. Two of the three nurses commented that they have seen more children with apples and oranges, as opposed to junk food. Is this a chance occurrence of a change in habits due to improved food availability and lower prices?

Leaders of the local municipal and band governments were contacted to obtain their insights to the community's reaction to the program. Again, feelings were unanimous with regards to the Food Subsidy Program. Residents were happy with the opportunity to purchase some foods at a lower price, and also enjoyed the improved availability of foods. People are pleased

¹ Mr. Begrand attempted contacting the Kinoosao store manager by mail and telephone but no response was received.

with the assurance that fresh foods will be available on a weekly basis.

9. THE FOOD SUBSIDY PROGRAM AND THE SMALL SCALE AGRICULTURAL PROJECTS PROGRAM

The Department of Northern Saskatchewan expects to continue the program and no changes to the administration and regulations of the Food Subsidy Program are planned.

A related program of DNS is the Small Scale Agricultural Projects. This program essentially provides grants to the local municipal governments, who in turn award them to persons showing an interest in gardening, small scale poultry and rabbit farming, etc. Grants are sufficient to purchase the necessary materials to get started. Advisory personnel employed by DNS provide assistance and educational information. The program started in 1977, and is reasonably successful. Gardening has become the most popular and the most successful. This type of program could complement the Food Subsidy Program by providing incentives to residents to produce some of their own vegetables, etc. One of the drawbacks with the Small Scale Agricultural Projects Program is the high cost of importing agricultural materials. If agricultural materials (i.e. - fencing materials, feed, etc.) could be included under the Food Subsidy Program, it might provide additional incentive to produce some agricultural products locally. An increase in domestic food production might lead to a reduction in the volume of imported food stuffs and thereby reduce the size of the public food transportation subsidy.

10. CONCLUSIONS

The Department of Northern Saskatchewan Food Subsidy Program has been

extremely successful since its implementation in June, 1978. Although a number of minor changes have taken place, it has received a good review by local residents, store managers and DNS administrators responsible for the program.

Based on its original program objectives, the Food Subsidy Program has achieved its goals* The subsidy payment of transportation costs from La Ronge to the four centres has achieved a near equalization of retail food prices for perishables with those prices in stores at La Ronge. As indicated earlier, the food price index in La Ronge was 100 (1978) as compared to much higher indexes for the five communities. During the first year of operation, the food price index for Black Lake, Stony Rapids, Fond du Lac and Wollaston Lake was reduced to 104; a vast improvement.'

Perishable foods are obtained primarily from Saskatchewan wholesale distributors with the exception of some meat orders being supplied through Edmonton, Alberta. The cooperation of all parties involved (local stores, Norcanair, wholesalers, etc.) has contributed to an efficient system of supply and transport.

Food prices were originally high in these northern communities because they included the transportation costs. One of the objectives of the program was to ensure the retailer a profit margin. A mark up formula is used to determine the maximum percentage of mark up on perishable foods. In most cases the maximum allowable mark up is 25 percent. In the first year of operation, the store was reimbursed for transportation charges plus an additional 25 percent of the freight charges to compensate the stores' interim financing arrangements. Now, transportation charges are paid directly by DNS; therefore the stores do not incur extra costs through

*Based on a November 1980 food index.

interim financing. The retailer continues to mark up his in-store prices by 25 percent, and this method maintains the retailer's profit margins at a level which still allows a lower price on perishable food items and limits the DNS subsidy to air costs.¹

The Food Subsidy Program has a simple structure and has been easy to administer. There have been no additional government staff assigned to the project, therefore, expenses of the subsidy program are primarily subsidy payments or transportation costs.

The DNS Food Subsidy Program has proven to have reduced local food prices and seems to be a simple program to administer. The adaptation of this approach to other isolated communities is expected to be a straight forward operation.

¹Retailers in La Ronde are thought to have a similar mark-up on wholesale prices. However, their wholesale price is believed to be lower because of bulk purchases.

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APPENDICES

Appendix A - Food Group Lists

Appendix B - Diagrams of Perishable Foods Flown into Communities

Appendix C - People Contacted Throughout Study

Appendix D - DNS Budget Request 1978-79. Re: Food Subsidy Program

Appendix A
FOOD GROUP LISTS

MILK AND MILK PRODUCTS

Homogenized milk
2% milk
Skim milk
Chocolate milk
Cereal cream
Whipping cream
Ice cream
Sour cream
Yogurt
Cheddar cheese
Processed cheese
Cottage cheese

FRUITS

Oranges
Bananas
Apples
Grapefruit
Strawberries
Frozen Strawberries
Frozen Raspberries
Grapes
Cherries
Peaches
Pears
Plums
Pineapple
Watermelon
Frozen Orange Juice
Cantaloupe
Nectarine
Lemons
Apricots

VEGETABLES

Potatoes
Tomatoes
Lettuce
Carrots
Celery
Onions
Cabbage
Cauliflower
Turnips
Corn-on-Cob
Cucumbers
Mushrooms
Broccoli-Brussel
sprouts
Frozen french fries
Frozen Peas
Frozen Green Beans
Frozen corn
Beans-yellow and
green fresh
Other frozen vege-
tables

BREAD AND PASTRIES

Bread -white, en-
riched
Rolls, buns, muffins
Pies-crust
Cake-white
Cake-chocolate
Cookies-commercial
Donuts
Bread-whole wheat
Sweet rolls, cinnamon
buns
Frozen waffles

MEAT, POULTRY, FISH

Beef roast
Beef steak
Stewing Beef
Hamburger
Beef ribs
Organ meats
Beef liver
Bacon
Ham
Pork chops
Pork spare ribs
Sausage
Chicken
Turkey
Weiners
Bologna
Packaged sliced meats
Neck bones
Pork hocks
Fish-unspecified
Eggs

FATS

Butter
Margarine
Lard
Peanuts

MISCELLANEOUS

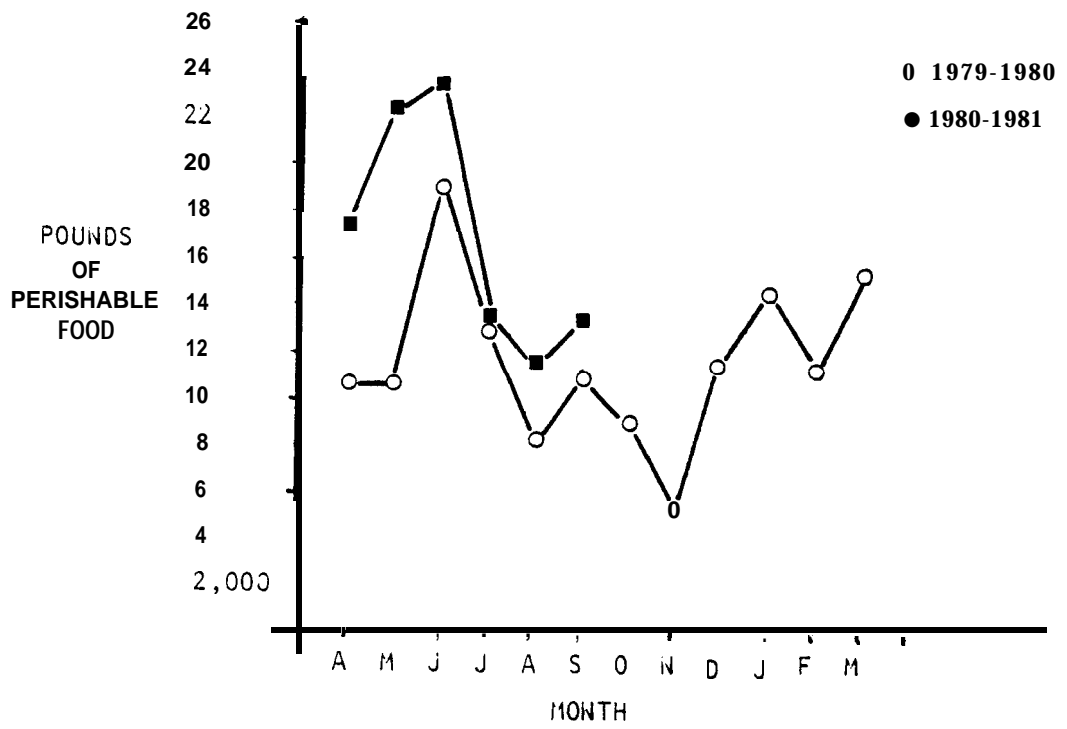
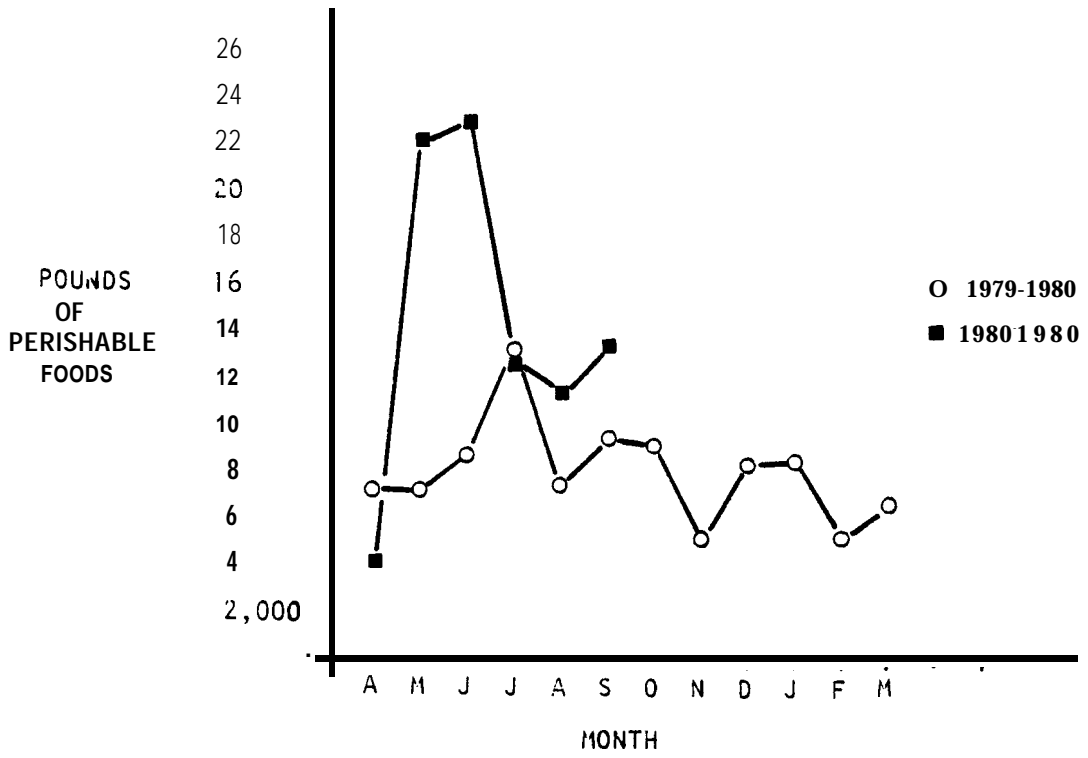
Frozen meat and
poultry dinners
Frozen pizza
Meat pies

POPULATION OF COMMUNITIES STUDIED

Black Lake	594
Fond du Lac	478
Stony Rapids	253
Wol laston	450
Kinoosao	84

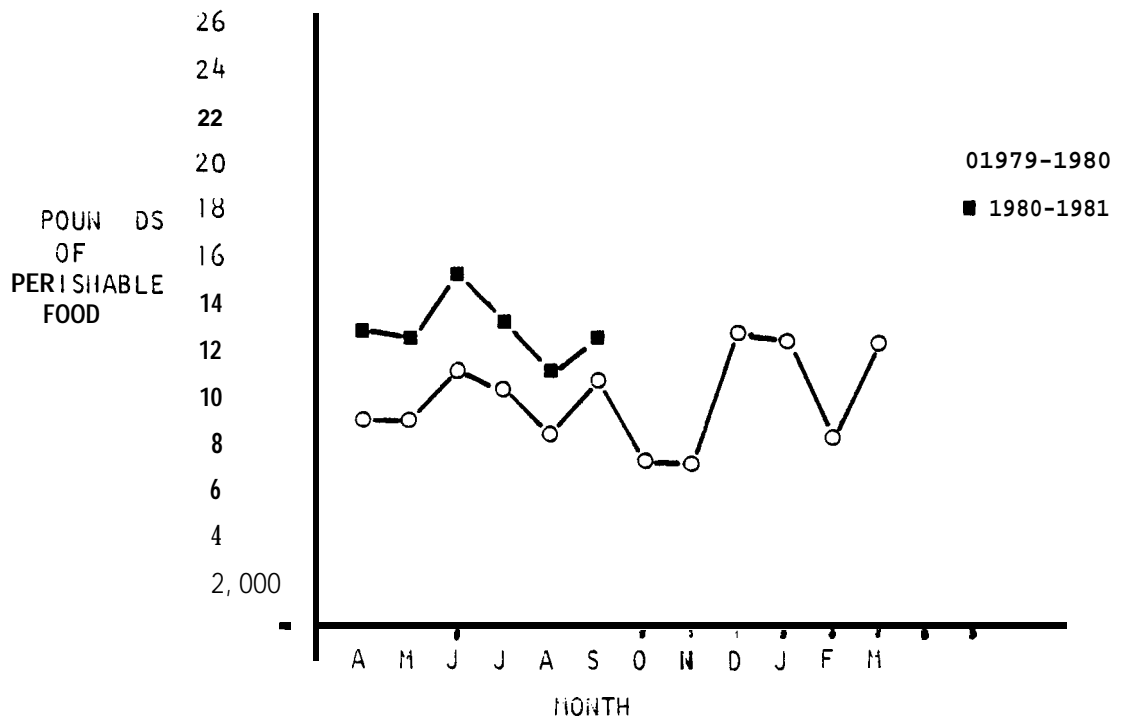
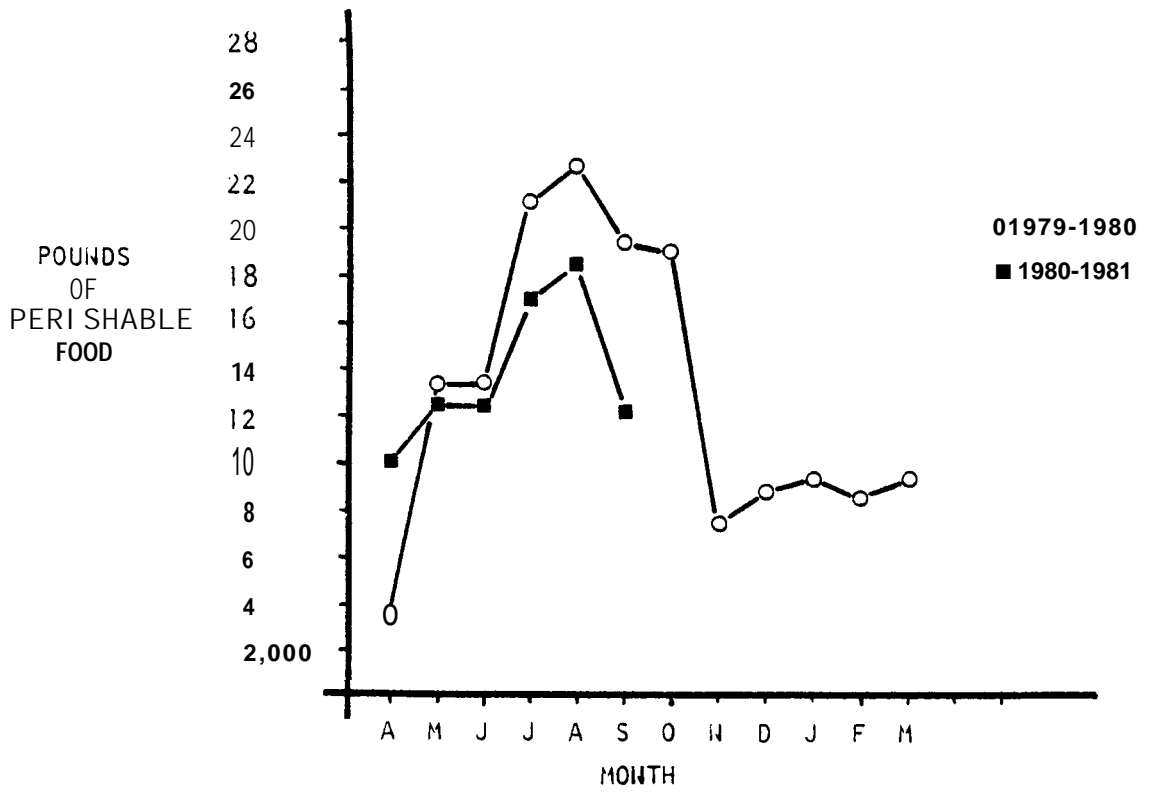
Appendix B

STONY RAPIDS



BLACK LAKE

WOLLASTON LAKE



FOND du LAC

Appendix C
PEOPLE CONTACTED THROUGHOUT PROJECT

Government - Provincial

Mr. Gordon Campbell
Administrative Branch
Department of Northern Saskatchewan
La Ronge, Saskatchewan

Mr. Jim Oliver
Economic Development
Department of Northern Saskatchewan
La Ronge, Saskatchewan

Health Officers. Health & Welfare Canada

Debbie Stephens
Black Lake, Saskatchewan

Cathy Sweet
Fond du Lac, Saskatchewan

Marie Kirokofsky
Wollaston Lake, Saskatchewan

Eileen Hynan
La Ronge, Saskatchewan

Deborah Gillis
Health & Welfare Canada
Medical Services
Saskatchewan Region
Regina, Saskatchewan

Store Managers

Peter Gabin
Hudson Bay Company
Stony Rapids, Saskatchewan

Dale Hoose
Hudson Bay Company
Fond du Lac, Saskatchewan

Bruce Gordon
District Manager
Hudson Bay Company
Edmonton, Alberta

Aldolphus Mercredi
A & B General Store
Fond du Lac, Saskatchewan

Flora Hansen
Wollaston Lake Co-op
Wollaston Lake, Saskatchewan

John Simpson
Co-op Store
Kinoosao, Saskatchewan

Manager
Hudson Bay Company
Black Lake, Saskatchewan

Local Municipal Governments

Germaine Adams
Chief
Fond du Lac Band
Fond du Lac, Saskatchewan

Agnes Tousaint
Stony Rapids Band
Stony Rapids, Saskatchewan

Terry Daniels
Chairman
Local Advisory Council
Wollaston Lake, Saskatchewan

Phil Chenard
Northern Municipal Councillor
Area 1
Stony Rapids, Saskatchewan

J. A. Bujold, Administrator
Northern Municipal Council
La Ronge, Saskatchewan

Emile Hansen
Local Advisory Council
Wollaston Lake, Saskatchewan

Roan Efford, Treasurer
Local Advisory Council
Stony Rapids, Saskatchewan

DEPARTMENT OR AGENCY

FOR FISCAL YEAR

CHARACTER

ACTIVITY

Food transportation subsidy program

Vote, Sub-Vote, Sub-Sub-Vote

26-01-003

REMARKS AND OUTLINE OF PROPOSED PROGRAM

PAGE NO

Request

The Department of Northern Saskatchewan, Executive Administration Branch, requests Treasury Board approval of a food transportation subsidy program for the fly-in communities in Northern Saskatchewan. Total costs will not exceed \$140,000 annually.

Background

This specific program has never been considered by the Treasury Board before. However, the problem of very high food prices in the North has been discussed many times and at many levels;

- The earliest consideration of the problem was in November, 1970, when the issue was raised by the Northern Task Force. Since then, the Department attempted to at least alleviate the problem for those on Social Assistance by increasing the food allotment in their Social Assistance Plan payment. In February, 1974, Treasury Board suggested the implementation of a school lunch program and the establishment, or encouragement, of a bulk purchasing agency in the North (T.B. #7613).
- In February, 1974, the Cabinet endorsed the idea of investigating the possibility of a transportation subsidy for Northern Saskatchewan.
- In 1975, the New Democratic Party, in the "New Deal '75 Program" promised to "work to reduce the cost of living in the North by reducing freight and transport costs" (page 7, #3). This commitment is obvious to interpret. No definite programs have yet been established to address the problem.
- In January, 1977, a survey by the D.N.S. nutritionist showed that the average per capita daily cost, for a family of six consuming the recommended nutrient requirements in the fly-in northern communities, is 48 per cent higher than the same costs in the south:

Southern Saskatchewan Communities	-	\$1.44
Northern Drive-in Communities		\$1.65
Northern Fly-in Communities	. . . -	\$ 2 . 1 3

REMARKS AND OUTLINE OF PROPOSED PROGRAM

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-In August, 1977, the northern board members of the Metis Society met with the senior officials of the Department, and again, stressed the need for the government to address the issue. The Society presented a brief to the Premier during his 1976 northern tour and he has communicated his concern to the Department via the Executive Council.

The Department investigated the "magnitude of the problem, by community, and considered different alternative solutions. The analysis of food retail prices proved that:

- 1- Transportation costs are the major causal factor for high food prices. More specifically, the air freighting of perishable foods is the primary reason for high food price indices in northern communities, north of 57° latitude.
- 2- The high cost of fresh perishable foods (meat, bread, dairy produce, fruit and vegetables) results in the substitution of non-perishable forms of these foods, e.g., canned meat, milk, fruits, etc., with the resultant loss in health or the actual abandonment of eating certain foods.
- 3- As the following table illustrates, the major problem, is in centres located in the north-east part of the NAD dependent on air freight.

	<u>Price Index (La Ronge base)</u>	<u>Price Index (Prince Albert base)</u>
Prince Albert	93	100
La Ronge	100	107 "
Weyakwin "	100	107
Cumberland House	105	113
Sturgeon Landing	99	106
Creighton	97	104
Deschambault Lake	108	116
Pelican Narrows	104	111
Sandy Bay	114	122
Stanley Mission	114	111
Beauval	104	120
Pinehouse L	112	

REMARKS AND OUTLINE OF PROPOSED PROGRAM

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	<u>Price Index (La Ronge base)</u>	<u>price Index (Prince Albert base)</u>
Ile a la Crosse	109	117
Buffalo Narrows	106	114
Dillon	122	134
Patuanak	112	121
La Loche	110	118
Southend	116	124
Kinoosao	135	145
Wollaston Lake	139	150
Black Lake	146	157
Stony Rapids	143	154
Fond-du-Lac	136	146
Uranium City	108/124	116/133

Program

a After considering all the alternatives, the Department intends to reduce food prices in the "critical" northern communities by fully subsidizing the transport costs of perishable foods. Those "critical centers" are Kinoosao, Wollaston Lake, Black Lake, Stony Rapids, and Fond-du-Lac. The problem does exist in the rest of the North too. However, given financial constraints and the severity of the problem in the five "critical" communities, the Department intends to implement the program only in those five centers for the present. Further consideration should be given to the rest of the North pending an evaluation of the program in one to two years.

REMARKS AND OUTLINE OF PROPOSED PROGRAM

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- The following table illustrates the reduction in food price indices as a result of fully subsidizing transportation costs of perishables. It should be noted that those indices will come down to some reasonable levels approximating those in the west side of the North.

	Deflated Price Index (La Ronge base)	Deflated price index (P. A. base)
Kinoosao	1 1 0	115
Wollaston Lake	115	119
Black Lake "	105	111
Stony Rapids .	101	108
Fond du Lac	100	106

costs

Actual transportation costs of perishable foods obtained from analyzing shipping documents of all the stores in the five communities totalled \$83,000.00 for 1976. However, if we assume that the consumption of perishables will increase to normal levels as a result of availability and low costs, then the total cost will increase to \$140,000.00.

(There will be no staff requirement for the implementation of this program.)

No. & realistic

REMARKS AND OUTLINE OF PROPOSED PROGRAM

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apolitical Implications

-The Government and the Department have to address themselves to the problem of high food costs in the North, especially in light of the promises made and the outcries raised. The cost of this program is not very high when considering that over 2,000 people will benefit from this program, leading to a per capita cost of *\$70.00. The Department will ensure that the transportation subsidy paid out to the store will be matched by 100 percent reduction in prices, and hence, an actual increase in the income of the residents of the five communities by an average of \$70.00 per capita.

The Department will ensure a maximum exposure for the program and its aims. The political benefits cannot be underestimated.

-The question may arise as to the need to subsidize food prices in southern "isolated" communities. The Department undertook a survey of food prices (same as that used for the North) in a sample of southern "isolated" communities and found that only two of the six surveyed communities had a food price index two percentage points higher than La Ronge, while the rest of the communities were far below La Ronge prices.

La Ronge (base index)	100
Crooked River	102
Chelan	85
Allan	102
Landis	86
Cochin	97
Spiritwood	91

It must be emphasized that the prices in the five fly-in communities will still be higher than La Ronge prices even after the subsidy.

REMARKS AND OUTLINE OF PROPOSED PROGRAM

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Alternatives

The Department has considered the following **alternatives**:

- 1 - Concentrate on the plight of "those on social assistance and increase the food allotment "to make it reflect northern costs. This was' rejected by Treasury Board and Cabinet.
- "2 - A variation of the present proposal would be to combine food" shipments to the five centers with backhauling fish to southern points. This alternative was rejected for the following reasons:
 - a. The Department would have to charter a Twin-Otter aircraft for a total cost of \$155,000 per year.
 - b. It would require a very large effort in co-ordinating food and fish shipments. Also, present shipping and delivery points will have to be changed, with no promise' of cooperation from the participants.
 - c. Plane charter costs and staff requirements make this alternative a second choice.
- 3. Adopt the proposed method of subsidizing transportation costs.

Dept. of Northern Saskatchewan

DEPARTMENT OR AGENCY - Ex. Administration Br. ACTIVITY - Food Transportation Subsidy Program

ESTIMATES FOR 1978/79 Expenditure CHARACTER - "B" Budget

(Year) (Revenue, Expenditure, etc.)

Vote, Sub-Vote, Sub-Sub-Vote

REFERENCE CODE "L, (A)

Remarks (B)

419

Full payment to local stores in the five communities in the Athabasca region to fully cover transportation costs of perishable foods.

(NOTE: UNIT CENTS IN ALL COLUMNS)

SUMMARY OF EXPENDITURE ESTIMATES 1970-79

DEPARTMENT OR AGENCY Dept. of Northern Saskatchewan "B" Budget C A
 EX-Administration 26-01-003
 ACTIVITY Food Transportation Subsidy Program Vote, Sub-Vote, Sub-Sub-Vote

CODE NO. (A)	OBJECT OF EXPENDITURE (B)	ACTUAL 1970-77 (C)	ESTIMATED 1977-79 (D)	A BUDGET (E)	B BUDGET (F)	PROJ. 1979-80 (G)	H (H)	APPROVED 1976-79 (I)
1	Personal Services							
2	Contractual Services							
3	Material and Supplies				140 000			
4	Miscellaneous							
5	Acquisition of Property							
6								
	Sub-totals							
	*Loss Reimbursements							
	Net Expenditure							
	TOTALS				140,000			

Only those shown in printed Estimates as "Reimbursements"