

Is the Nutrition North Canada retail subsidy program meeting the goal of making nutritious and perishable food more accessible and affordable in the North?

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ABSTRACT

The Nutrition North Canada program is a federal retail subsidy designed to make nutritious, perishable food more widely available and affordable in northern communities. Implemented in April 2011, Nutrition North replaced the Food Mail freight subsidy long used to offset the high cost of transporting perishable food to remote towns and villages lacking year-round road access. An examination of program and government reporting to date reveals little evidence that Nutrition North is meeting its goal of improving the availability and affordability of nutritious food. The fiscal reporting and food costing tools used by the program are insufficiently detailed to evaluate the accuracy of community subsidy rates and the degree to which retailers are passing on the subsidy to consumers. Action is needed to modify the program reporting structure to achieve greater accountability among retailers, and lower and more consistent food pricing across northern communities.

KEY WORDS: Food; nutrition policy; food supply; public health; Canada; Arctic regions

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In 2011, Aboriginal Affairs and Northern Development Canada (AANDC) launched Nutrition North Canada, a program designed to offset the cost of transporting perishable foods to northern communities that lack year-round road access. Nutrition North replaced the older Food Mail program, a freight subsidy delivered through Canada Post Corporation since the 1960s.

Implemented after program reviews in 2008 and 2009 and a series of community consultations, Nutrition North is a retail subsidy delivered to retailers and wholesalers who ship large volumes of grocery items to the north. The program subsidizes transport of eligible food items deemed nutritious or essential as well as household items such as laundry detergent, personal care items like shampoo and deodorant, and non-prescription drugs. Items are categorized according to two levels of subsidy (level 1 being a higher subsidy than level 2) calculated for each community and delivered to shippers on a per-kilogram basis. Freight manifests provided by retailers verify the weight of transported goods. Retail pricing is monitored through the collection of point-of-sale receipts. AANDC publishes subsidy levels, quarterly fiscal reports and annual food cost surveys on the Nutrition North website.¹ A retailer compliance report was published in 2013.

Since its launch in April 2011, reaction to the new program has been swift and negative. A grassroots movement is using social media to lobby support and share photos of examples of high food prices. Political concerns have been expressed by members of the Legislative Assembly from Nunavut, the Northwest Territories,

Yukon, Quebec and Labrador, who in 2012 joined together in protest to the federal government.² In June 2012, the Liberal Aboriginal Affairs critic called Nutrition North “a total failure”³ and requested an overhaul of the food subsidy program.⁴ These efforts have drawn international attention, notably from Olivier De Schutter, United Nations Special Rapporteur on the Right to Food, who expressed concern over the implementation of Nutrition North in his May 2012 press conference at the National Press Theatre in Ottawa.⁵ In July 2013, Canada’s Auditor General, Michael Ferguson, announced that his office would undertake a review of Nutrition North in the fall of 2014.⁶ A recent report commissioned by Health Canada acknowledged gaps in the efficacy of the current program.⁷

Accessibility of food in northern communities

The stated purpose of Nutrition North is to make nutritious and perishable food more accessible and affordable to Canadians living in isolated northern communities.⁶ In addition, the program is intended to provide greater transparency and accountability for expenditures, qualities that critics say were lacking in the Food Mail program.⁸⁻¹⁰

Detailed analysis of publicly accessible materials indicates that the Nutrition North reporting structure does not permit assessment

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of whether or not the program is meeting these objectives. It is impossible to determine whether the program is improving the accessibility of food, despite this being one of its principal goals. Accessibility requires that food be both available and affordable to consumers. AANDC reports the per capita weight of food shipped to communities under Nutrition North, so we can to some extent examine whether food is widely available in communities under the current program. Between April 2011 and March 2013 in the majority of northern communities, per capita volumes decreased, in some cases dramatically. In Arviat, for example, per capita food shipments declined from 448 kg in 2011 to 393 kg in 2012. In Nunavut as a whole, where roughly 60% of subsidy dollars are allocated, per capita shipments fell from 362.1 kg to 348.2 kg. (Interestingly, the community that showed the greatest increase in volume, Grise Fiord, Nunavut, has the highest rate of subsidy in the program at \$16.00 per kg.)

However, there are no publicly available data on annual per capita food volumes shipped under the old Food Mail program. In addition, the list of items eligible for subsidy was significantly altered with the launch of Nutrition North Canada, making evidence-based comparisons of food availability before and after the transition extremely difficult.

Likewise it is impossible, using the current reporting framework, to evaluate whether the program has improved the affordability of nutritious food in northern communities. Like the Food Mail program before it, Nutrition North uses food price surveys as the sole means of determining whether the subsidy is passed on to northern consumers.^{11,12} The food costing tool employed by AANDC, the Revised Northern Nutritious Food Basket (RNFB), is a quarterly price compilation of the cost of nutritious food for a family for one week.¹ The RNFB reports costs for the perishable and non-perishable portions of the basket, but prices for individual items are not reported, nor do reports itemize the portion of subsidy annually allocated to level 1 and level 2 items. Not all of the items eligible for level 1 subsidy are monitored in the RNFB. It is conceivable that, despite receiving subsidy for all eligible food items, retailers could without penalty price items represented in the RNFB lower than those that are not. AANDC's quarterly and annual fiscal reports for Nutrition North provide the total dollar value and kilogram weight of various subsidized food product categories but no direct comparison of subsidy allocations and food prices in communities.

Lack of transparency in how subsidy operates

It is extremely difficult to determine whether the Nutrition North subsidy is allocated on an equitable basis. The subsidy levels published by AANDC are calculated on the basis of Food Mail shipments delivered to communities in 2009-2010.¹³ There is no indication of how subsidy rates are calculated or whether the values of the level 1 and 2 subsidies have changed since 2011. Rates of subsidy in each community are a function of geographic remoteness, respective location along the supply chain, and the relative cost of operating a retail business. For example, the current level 1 and 2 subsidy rates to Arviat, Nunavut, located relatively close to Winnipeg in the south, are \$2.00 and \$0.20 per kg, whereas comparable rates for remote Grise Fiord are \$16.00 and \$14.20 per kg, respectively.¹ Without transparency in how these rates of subsidy are calculated, it is difficult to determine whether they result in an

equitable distribution of subsidy funds. Similarly, without some assessment of changing community demographics, it is difficult to determine who is benefiting from subsidized food available in communities. In Repulse Bay, for example, where shipments rose from 266 to 295 kg per person between 2011 and 2013, it is possible that a recent boom in mining development may have resulted in greater retail sales in the community with little alleviation of food insecurity for the resident population.

Per-kilogram subsidy payments are inconsistently reflected in actual food costs. For example, fresh fruit and vegetables are listed as level 1 subsidy items, their transport subsidized at a rate of \$8.60 per kg to Arctic Bay, Nunavut. In April 2013, according to food price data collected independently by the Nunavut Bureau of Statistics, the prices for 1 kg of oranges, bananas, carrots and celery in Arctic Bay were \$4.59, \$5.95, \$3.05 and \$14.58 respectively, despite their identical weight and subsidy rate.¹⁴ Items eligible for level 2 subsidy, such as flour, cooking oil, butter and shortening, can reach exorbitant costs in communities. In April 2013, the price of a 10 kg bag of all-purpose flour was \$39.19 in Iqaluit, \$41.99 in Arviat and \$42.81 in Pond Inlet, despite level 2 subsidy rates of \$0.50, \$2.00 and \$6.30 respectively in these communities. The cost of a 946 mL bottle of cooking oil was \$8.84, \$8.78 and \$9.22 respectively in these communities and \$10.92 in Kugluktuk, where the level 2 subsidy rate is \$2.60.

These comparisons make it difficult to discern just how and where subsidy value is being passed on to northern consumers. The actual freight costs to retailers and wholesale shippers are not disclosed, making it impossible to see whether AANDC's subsidy rates reflect the real cost of freight transport to communities. Since many nutritious perishable food items are not included in the RNFB, it is entirely possible that subsidies received for the sale of these items are used to support the air freight and operating costs of northern retailers without being reflected in the prices of these items. As long as the cost of the RNFB remains relatively stable, AANDC does not appear to question whether the retail pricing reflects subsidy reimbursements. A 2008 Food Mail program review contained a strongly worded recommendation to alter the policy of evaluating retailer compliance through price reporting: "I do not see how they can prove that a retailer is passing on the subsidy or not."⁹ The Nutrition North Advisory Board in its inaugural report urged the Minister to examine comparative pricing by retailers and hold retailers accountable for passing on the subsidy to consumers.¹⁵ A June 2013 program audit found that, using the current food cost and subsidy reporting tools, "retailer pricing information cannot be adequately analyzed to identify possible price anomalies."¹²

The northern food retail environment

A final observation is that northern retailers appear remarkably well positioned for success under this program. A 2008 review of Food Mail by the Special Representative of the Minister of Indian and Northern Affairs* reported that northern retailers were "collectively pounding the table for substantive change."⁹ The exclusivity of the Canada Post contract was decried as monopolistic and antithetical to fair competition and sustainable economic development. Nutrition North was designed to address these woes: "the new

* The title has since changed to Minister of Aboriginal Affairs and Northern Development.

delivery method gives retailers and suppliers the flexibility to seek cost-effective and innovative solutions that will help make nutritious food more accessible.”⁸ Appearing before a 2011 parliamentary committee review of the proposed program, retail representatives claimed Nutrition North would foster competition and growth.⁸

The reality is that a single corporation, North West Company (www.northwest.ca/operations/canada.php), owns both the Northern and Northmart retail chains and the Quickmart convenience chain which operate the majority of retail outlets in the northern territories. In many communities, these are the only retail stores available. Among the North West Company’s other holdings are Sealift Express, the primary marine freight carrier to Canada’s north; the grocery distributor Crescent Multifoods; northern pharmacies and Telepharmacy; and WeFinancial, a credit card service available in Northern and Northmart outlets. The North West Company received 50% of the Nutrition North subsidy in fiscal year 2011-12 and 51% in 2012-2013, amounts totaling \$26.6 million and \$31.6 million in those years. It is difficult to view this high degree of market concentration as significantly less monopolistic than under the old Canada Post contract.

CONCLUSION

Is the Nutrition North Canada retail subsidy program meeting the goal of making nutritious and perishable food more accessible and affordable in the North? Three years after its implementation, it is difficult to determine the answer to this question. The structure of the reporting system makes it difficult to discern just how and where the subsidies received by northern retailers are passed on to northern consumers and whether or not the retail structure of the subsidy permits the equitable distribution of program resources in northern communities. These facts, in the context of concentration in the northern retail sector, necessitate immediate action on the part of AANDC. The disclosure of crucial information regarding program operation, such as subsidy level calculations and accurate freight costs to communities, is needed in order to permit evaluation of the extent to which the program is meeting its stated objectives. Additional action is warranted on the part of the scientific community to undertake a comprehensive and independent assessment of the implementation and operation of the Nutrition North Canada program in order to inform a meaningful and evidence-based federal program review.

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RÉSUMÉ

Le programme Nutrition Nord Canada est une subvention fédérale au commerce de détail qui vise à rendre les aliments périssables nutritifs plus largement disponibles et abordables dans les communautés nordiques. Mis en œuvre en avril 2011, Nutrition Nord a remplacé le programme d’aide au transport Aliments-poste, qui a longtemps servi à compenser les coûts élevés du transport des aliments périssables vers les villes et villages éloignés sans accès routier toute l’année. Un examen des rapports de programmes et des rapports gouvernementaux jusqu’à maintenant ne révèle guère d’éléments indiquant que Nutrition Nord répond à son objectif d’améliorer la disponibilité et l’abordabilité des aliments nutritifs. Les outils de rapports financiers et de calcul des coûts des aliments utilisés par le programme sont insuffisamment détaillés pour évaluer l’exactitude des taux de subvention des communautés ou la mesure dans laquelle les détaillants transfèrent la subvention aux consommateurs. Il faut agir pour modifier la structure de rapport du programme pour responsabiliser davantage les détaillants et pour réduire et uniformiser les prix des aliments dans les communautés nordiques.

MOTS CLÉS : aliments; politique nutritionnelle; approvisionnement en nourriture; santé publique; Canada; arctique