

Prices have risen 71.6 per cent over past 12 years

BREAD from B1

Consumers are already feeling the pinch and not just in the neighbourhood bakery.

The price of a basic loaf of bread sold in supermarkets had jumped to \$2.18 by the end of December from \$1.27 at the start of 1995, the first year Statistics Canada began tracking this food item.

That's a 71.6 per cent increase over 12 years, versus 27.3 per cent for all other items. In other words, bread is rising at 3.1 times the overall rate of inflation.

Last year alone, the price of bread rose 8.9 per cent, while the rate of inflation for all items was just 2 per cent, according to StatsCan.

Wheat isn't the only commodity that has taken off. Oil, corn and soybeans are all caught in the same supply-demand squeeze.

But the pressure on wheat prices has intensified as this year's stocks were depleted over the winter and speculators began placing bets on next year's crop.

"The prices have escalated quite dramatically in the past 18 months, most of it since last September," said Bruce Burnett, director of weather and market analysis for the Canadian Wheat Board. The farmer-controlled organization is the single largest seller of wheat and barley in the world with a 20 per cent share of the global market.

"Chicago wheat for May delivery is \$10.16 (U.S.) a bushel," Burnett said, referring to wheat futures that trade on the Chicago Mercantile Exchange, a widely quoted benchmark. "A year ago, it was \$5."

For most of the past 15 years, wheat has traded in a very narrow band. In fact, taking into account inflation, the real cost of wheat was actually declining at one point.

But global demand for wheat last year rose to 619 million bushels, while supplies grew, but not as fast, to 603 million bushels, according to the latest report by the United States Department of Agriculture.

The shortfall resulted in wheat stocks being drawn down to their lowest levels in 30 years.



Carlo Cordi in his Mississauga bakery, where the price of bread keeps rising, as do his customers' tempers. "We're trying to ride it out," he says.

ANDREW WALLACE/TORONTO STAR

Global demand for wheat rose faster than supply last year, drawing down wheat stocks to their lowest levels in 30 years

Miller said he's been able to delay some of the impact on his customers by signing short-term contracts with his suppliers, major flour-mill operators like Robin Hood, Dover Industries and Archer-Midland Daniels. But when those contracts end, he says, he has to pass on most

of the price increase.

He's also taken a hit on his bottom line. Instead of charging a 20 per cent profit margin on a \$22 bag of flour, he's taking 5 per cent on a \$44 bag, he says. That means he's getting just over \$2 per bag instead of just over \$4 to cover his costs.

His customers say they're doing the same thing.

At Nova Pastry & Bakery in Mississauga, co-owner Helder Lopes says his weekly costs have jumped \$1,800 since he raised the price of bread last November. The cost of flour is the biggest contributor, but vegetable oil, cardboard boxes and paper have also gone up.

The last time Lopes raised his prices, a basic loaf of bread went up 30 cents to \$1.75. To cover the latest round of cost increases, he'd need to charge another 60 cents a loaf, he said in an interview in his Portuguese-style shop.

But Lopes said his customers would never accept another increase that big so soon, even though many are European immigrants, who know it's a global problem and the price back home is often worse.

So, for now, he's taking the same route as Cordi and Miller.

"We're just going to have to absorb the costs as long as we can," Lopes said. "What choice do we have?"

Crude rises for a fourth day in row

Crude-oil prices rose for a fourth day yesterday after Iran's oil minister said OPEC may decide at a meeting next month to reduce production.

The Organization of Petroleum Exporting Countries typically cut output in the second quarter to counter a drop in demand at the end of the Northern Hemisphere winter, Gholamhossein Nowroozi said in an interview.

Members of the cartel produce more than 40 per cent of the world's oil. They are scheduled to gather in Vienna March 5.

"You have some OPEC countries such as Iran and Venezuela that are supporting cuts, and those countries get listened to," said Hans Sommer, an analyst with EBC Nordbank in Hamburg. Oil prices will rise to more than \$100 (U.S.) a barrel should OPEC cut production, he added.

Brent crude for April settlement rose 28 cents, or 0.3 per cent, to \$94.91 in London.

New York oil futures reached a record \$100.09 on Jan. 2. Prices dropped as low as \$86.24 last month as U.S. oil and gas stocks rose amid concern that U.S. recession will hurt demand.

Bloomberg News

LYLE STAFFORD/REUTERS PHOTO since taking the bank's helm.

...sheet of the Bank of Canada." ...ack on the theme of globaliza- ...and prices for many com- ...dities Canada has in abundance, ...rd integration has resulted in ...ver prices for imports and higher ...ces for the country's exports. ...at alone, Carney said, has bol- ...red Canadians' per capita dis- ...able income by 8.5 per cent over ...past five years, as well as fat- ...ed government coffers and con- ...tributed to corporate bottom lines. ...What is clear is that globaliza- ...affected the makeup of the la- ...r force in many countries by ...moting a shift of lower-skilled, ...our-intensive production pro- ...cesses to emerging markets," he ... Canadian Press

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