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Canadians' Perception of U.S.-Canada Price Differences for Consumer Goods

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Canadians' Perception of U.S.-Canada Price Differences for Consumer Goods *

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Abstract/Résumé

Recent negotiation of trade agreements has generated talk promoting the elimination of supply management (SM) on the basis that eliminating supply management would significantly reduce the retail price. This claim relies on the assertion that if SM is eliminated, Canadians will pay the retail U.S. border price for eggs, poultry and dairy products. This implies that observed price differences are completely attributable to SM. One way to verify this assumption is to compare retail prices in Canada and the U.S. for products not under supply management. If retail price differences are observed between the two countries for other food items than the underlying assumption (that all observed price differences are attributed to SM) would have been proven to be incorrect by the principle of *reductio ad absurdum*.

Although some authors claim to have made such demonstration (Doyon et al. 2018), others disagree (Cardwell et al. 2018). Retail price comparisons are difficult given that large price variability can exist in time and within a limited geographical area due to an array of factors, including different retail strategies. Given that the literature does not offer any comprehensive study on price differentials between Canada and the U.S. for consumer goods, we consider an indirect approach by surveying the perceptions of Canadians with regard to differences in price between the two countries. This approach is based on the knowledge of Canadian consumers and therefore free of research biases that can taint selection of cross-border prices used for comparison (Ioannidis et al. 2007); and, it is relatively easy to obtain using a nationwide survey.

A representative sample of the Canadian population shows that majority of Canadians perceive prices for consumer goods to be lower in the U.S. than in Canada with no difference in perception between SM goods and non-SM goods. This implies that most Canadians will likely be skeptical of the promise of paying U.S. prices if supply management is eliminated. It also provides counterfactuals to the claim that all observed price differences are attributed to SM, under the assumption that in aggregate the perceived cross-border price differences expressed by Canadians are in fact representative of real price difference.

We argue that while these results are based on perceptions, they do capture the knowledge Canadians have regarding cross-border prices, and better reflect heterogeneous prices that exist across geographical location and types of retail stores. Although this is an imperfect measure, we also argue that the inherent problems associated with retail price comparisons makes perceptions of price differential from a representative sample an interesting tool.

Keywords/Mots-clés: Price Perception, Canada, United States, Supply Management, Eggs, Dairy

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Introduction

The negotiation of NAFTA 2.0 and other trade agreements has generated op-eds and editorials in the media promoting the elimination of supply management (SM), a national policy that regulates the production of egg, chicken and milk in Canada. The main argument put forward is that eliminating supply management would significantly reduce the retail price of these goods and improve the financial welfare of Canadian families (Cardwell et al. 2015; Geloso and Moreau 2016). This claim relies on the assertion that if SM is eliminated, Canadians will pay the retail U.S. border price for eggs, poultry and dairy products. Based on this hypothesis the cost of supply management is as follows (Cardwell et al. 2015; Geloso and Moreau 2016):

$$[\text{Canadian retail price of SM goods} - \text{U.S. retail border price of SM goods in} \\ \text{\$can} = \text{Cost of SM for Canadian consumers}] \text{ equation 1}$$

This implies that observed price differences are completely attributable to SM. One way to verify this assumption is to compare retail prices in Canada and the U.S. for products not under supply management. If retail price differences are observed between the two countries for a significant number of goods, and especially other food items, than the underlying assumption (that all observed price differences are attributed to SM) would have been proven to be incorrect by the principle of *reductio ad absurdum*¹.

Although some authors claim to have done such a demonstration (Doyon et al. 2018), others disagree (Cardwell et al. 2018). Retail price comparisons are difficult given that large price variability can exist in time and within a limited geographical area. Comparing cross-border prices implies a large geographical area, and thus more variability. Furthermore, retailers have different pricing strategies (i.e. loss leaders, frequent specials), that are difficult to consider in order to make fair comparisons. Comparing data from statistics bureaus (Statistics Canada, US Bureau of Labor Statistics) must also be done with care since each institution uses different

¹ Reasoning by absurdity. It would otherwise logically mean that the observed price differences for non-SM goods is due to SM.

methodologies to aggregate prices from the variety of products (house brand vs. national brand; grade) and across formats consumed.²

As an illustration, Table 1 shows significant price variations within a state, and even more within a country. While the second cheapest place to buy two liters of skimmed milk is in Quebec City and Montreal, the same two cities are the second most expensive place to buy four liters of whole milk. The cheapest sharp cheddar is in Montreal and the most expensive in Toronto. Note that dairy farmers in Quebec and Ontario receive the same price for their milk, illustrating that the observed prices are not only linked to the SM payment but also to pricing strategies at the retail level. Similarly, among the three U.S. cities listed in the table, Burlington, Vermont is the cheapest for two liters of skimmed milk, Lansing, Michigan has the cheapest four liter container of whole milk, and Detroit, Michigan the cheapest sharp cheddar, but the most expensive four liters of whole milk among the seven points of sale.

Table 1 Price comparisons of dairy products in Canadian and American cities, in Canadian \$, November 2019

Grocery Chain	City	State	Skimmed Milk (2L)	Sharp Cheddar (200g)	Whole Milk (4L)
Maxi	Montreal	Quebec	3.49	2.48	6.58
IGA	Québec	Quebec	3.49	4.44	6.58
Loblaws	Ottawa	Ontario	4.09	3.49	4.39
Grocery Gateway	Toronto	Ontario	4.49	5.49	4.99
Kroger	Detroit	Michigan	4.59	3.60	7.16
Meijer	Lansing	Michigan	4.02	3.84	5.58
Hannaford	Burlington	Vermont	3.15	4.20	6.00
Exchange rate Desjardins \$1 us = \$ 1.36 can					

The literature on variables that impact the retail price of consumer goods can offer some indications on price differentials between (Handbury and Weinstein 2014) and within regions (Criner et al. 1997). However, we are not aware of any comprehensive study on price differentials between Canada and the U.S. for consumer goods. Although such a study would be welcome, it would require a large data set in order to capture effects such as localisation, type

² When establishing prices for a given quantity of a product (i.e. 1 liter of milk), statistic agencies aggregate the purchase price for different formats (i.e. 1 liter, 2 liter, 4 liter) according to purchase habits as measured by the surveys and that are not publicly available.

of retailer and/or regional competition at retail, to name a few. Alternatively, we consider an indirect approach by surveying the perceptions of Canadians with regard to differences in price between the two countries.

Using Canadian perceptions of cross-border price differentials has the following two advantages: It is based on the knowledge of Canadian consumers and therefore free of research biases that can taint selection of cross-border prices used for comparison (Ioannidis et al. 2007); and, it is relatively easy to obtain using a nationwide survey.

One potential drawback is that perceptions might not accurately capture retail price differences. However, there are several reasons to think that Canadians have a good grasp of the U.S market and its prices. In fact, more than 90% of Canadians live within 160 km of the U.S. border³.

Further, an estimated 24 million Canadians re-entered Canada from the U.S in cars plated in Canada in 2019⁴, Canadians made more than 44 million trips to the U.S. in 2018⁵, and more than 11 million Canadian families have cable TV that broadcasts U.S. channels and commercials⁶.

Finally, a study on consumer knowledge of grocery prices has found that, while consumer price estimates are generally poor, median price estimates actually closely matched real prices (Aalto-Setälä and Raijas, 2003). Therefore, in aggregate, we may assume that Canadians' perception of price differences are relatively accurate.

This report has two major contributions. The first is to assess, with a statistically representative sample, the perception of Canadians with regard to price differences between Canada and the U.S. for various consumer goods. Second, it allows us to verify if Canadians' price differential perceptions differ for food under SM versus food not under SM, testing the robustness of equation 1, under the assumption that perceptions are reflecting retail price differentials in relative terms.

³ Population size and growth in Canada: key results from the 2016 census, Infostats 2017-02-08, Statistics Canada.

⁴ Statistics Canada: Reports of entries and re-entries from offices of the Canada Border Services Agency.

⁵ Travel between Canada and other countries, December 2018, Statistics Canada.

⁶ A. Watson, Statista, May 17, 2019.

2. Survey

2.1. Survey Design

The survey can be understood in three sections. In the first, individuals state if they think prices for certain consumer goods are in general lower, similar to, or higher in the U.S. compared with Canada. This section comprises specific products as well as broad categories. The following 28 products or categories are considered: consumer goods, electric goods, internet and cable services, cell phones, food, American cars, Japanese cars, European cars, Korean cars, Canadian beer, American wine, French wine, spirits, beef, chicken, pork, canned soup, fruits and vegetables, eggs, bread, sliced cheese, fancy cheese, yogurt, frozen pizza, frozen fries, cow's milk, almond milk, and rice milk.

The second section focuses on perceived differences in quality standards and the broad social situation between the two countries. Participants are asked to state if, in their opinion, the following quality standard is lower, similar to, or higher in the United States compared with Canada: general quality of consumer goods; quality control; environmental norms; food safety; workplace safety; farmland protection; and, consumer protection.

Another set of questions asked individuals to state their level of agreement (Totally Disagree, Partially Disagree, Indifferent, Partially Agree, Totally Agree) with regard to the following four statements:

- "Buying Canadian is important to me."
- "Canadian rural communities are doing better economically and socially than rural communities in the United States."
- "Canadian middle-class workers are faring better economically than middle-class workers in the United States."
- "Agriculture in Canada is based more so on the family farm model than agriculture in the United States."

Finally, standard sociodemographic questions are asked as well as a set of the following three questions to capture the familiarity of respondents with the U.S.:

- Have you ever lived in the United States for more than six months?
- Over the past 3 years, have you stayed in the United States for longer than 4 days?
- On average, how often do you watch American television programs?

The survey was administered in both French and English during the summer of 2019 (July 15th and August 15th) by the University of Waterloo’s Survey Research Center. Care was taken in translating the survey to ensure language equivalence between the English and French versions.

The panel firm used by the Survey Research Centre takes great care in developing and maintaining a Web panel that is representative of the Canadian population. In addition, age x gender x geographic region quotas were utilized to ensure that the sample is representative with respect to those characteristics.

2.2. The Sample

A thousand questionnaires were completed as indicated by Table 1. Our sample is representative of the Canadian population with regard to distribution among provinces, age groups and gender.

Table 2: Comparison between the sample and the Canadian population for several demographic variables.

Age group	Distribution of adult males by age group		Distribution of adult females by age		% of Females with regards to males by age group	
	Canada	Sample	Canada	Sample	Canada	Sample
18-24	12%	8%	11%	10%	49%	57%
25-34	17%	20%	16%	17%	51%	46%
35-44	16%	16%	16%	18%	51%	54%
45-54	18%	22%	18%	18%	51%	45%
55-64	18%	13%	18%	17%	51%	57%
65 & older	19%	21%	21%	21%	54%	51%

	Distribution of population by province	
	Canada	Sample
Newfoundland and Labrador	1.6%	2%
Prince Edward Island	0.4%	2%
Nova Scotia	3%	2%
New Brunswick	2%	1%

Quebec	23%	23%
Ontario	39%	39%
Manitoba	3%	4%
Saskatchewan	3%	4%
Alberta	11%	9%
British Columbia	14%	14%

Distribution of population
by province

	Canada	Sample
High School or less	53%	23%
CEGEP/College	20%	37%
University	27%	40%

Roughly 8% (78) of the sample has lived more than six consecutive months in the U.S., 48% (476) have traveled for longer than 4 days in the past 3 years and slightly more than 52% (528) watch American television once a week or more.

Table 3 compares the two sub-samples «resided in the U.S.» and «watch U.S. television» with the full sample. The noticeable differences are an over-representation of males and of residents of British Columbia in the sub-sample that have lived for more than 6 months in the U.S., while Quebec residents are underrepresented. Otherwise, this subsample is similar to the full sample. The sub-sample consisting of individuals who watch U.S. television more than once per week closely matches the initial sample, with the exception of Québec individuals who are slightly underrepresented.

Table 3: Comparison between the sample and the group of individuals who resided in the U.S. for six consecutive months and who watch U.S. television more than once a week, with regard to age, gender and provinces.

	Sample	Resided In U.S.	U.S. television more than once per week.
18-24	9%	8%	5%
25-34	18%	22%	16%
35-44	17%	21%	16%
45-54	20%	13%	20%
55-64	15%	15%	18%
65 & older	21%	22%	24%
Total	100%	100%	100%
Female	51%	37%	50%
Male	49%	63%	50%
Newfoundland and Labrador	2%	1%	3%
Prince Edward Island	2%	4%	2%
Nova Scotia	2%	1%	3%
New Brunswick	1%	1%	1%
Quebec	23%	10%	13%
Ontario	39%	47%	44%
Manitoba	4%	3%	5%
Saskatchewan	4%	1%	5%
Alberta	9%	4%	11%
British Columbia	14%	27%	15%

3. Survey Results

3.1. Price Perceptions for Consumer Goods

Among the full sample, a majority of respondents (71 %) perceive that in general, prices of consumer goods are lower in the U.S. than in Canada (Figure 1). Similarly, 61% perceive that prices for food are lower in the United States than in Canada (Figure 1). In both cases, only 6% perceive prices to be higher in the U.S. than in Canada.

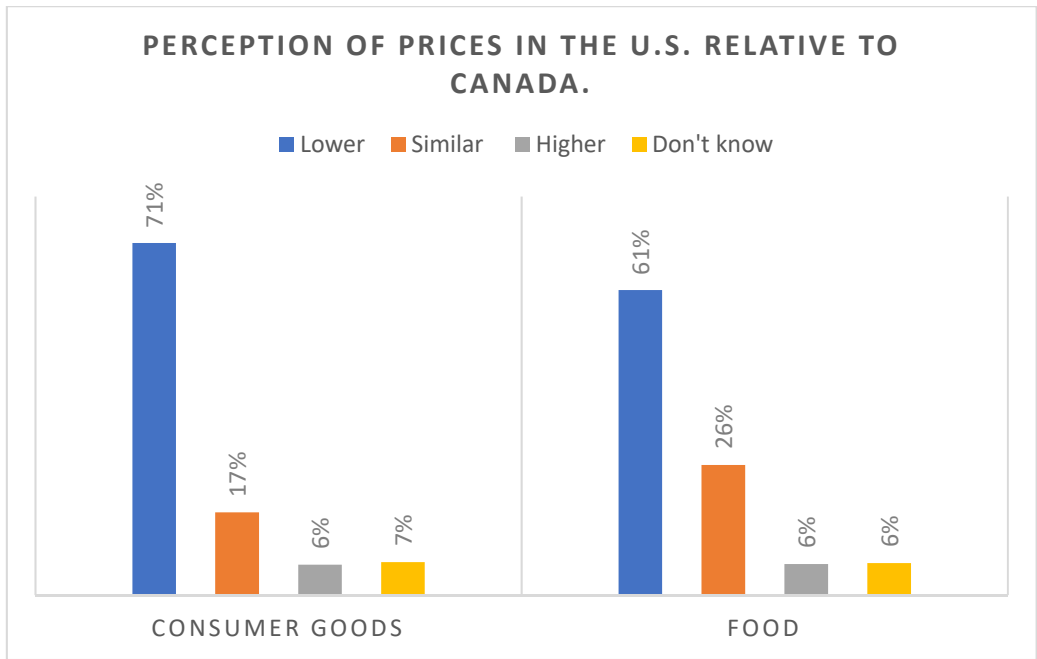


Figure 1: Price perception of Canadians for broad categories of goods.

For electronic goods, cell phones and internet and cable, 71%, 69% and 61% of respondents perceive that prices are generally lower in the U.S than in Canada, respectively (Figure 2).

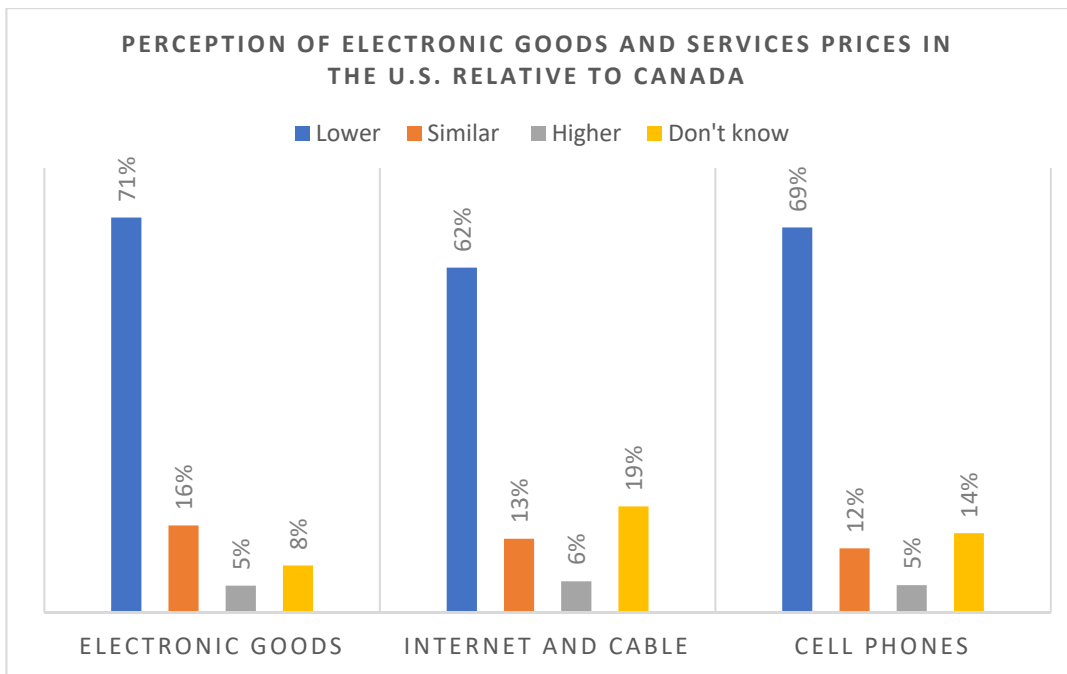


Figure 2: Price perception of Canadians for broad electronic goods and services.

Figure 3 presents the perception of prices for cars of different origin, showing that prices are mostly perceived to be lower in the U.S. than in Canada for American cars (68%). The respondents' perception of price differences for Japanese, Korean and European (foreign) cars is less certain. Although only 6% perceive that foreign cars are cheaper in Canada than in the U.S., a significant number of respondents indicated that they did not know (29% to 37%) or that the prices are similar (22% to 28%).

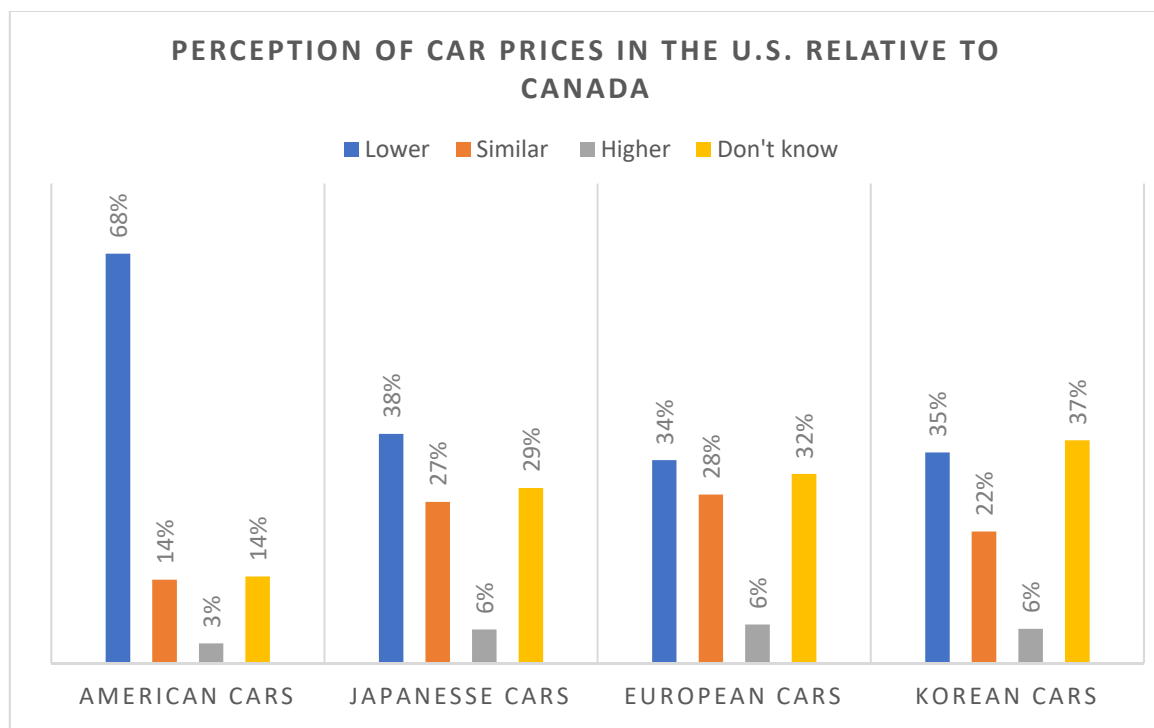


Figure 3: Price perception of Canadians for different categories of cars.

Figure 4 shows the perception of price for various alcoholic beverages. For American wine and spirits, 69% and 66% of the sample, respectively, perceive that prices are lower in the U.S. than in Canada. For both alcoholic beverages, only 4% of the sample perceive prices to be higher in the U.S. than in Canada.

For French wine, 45% estimate that prices are lower in the U.S. than in Canada, while 23% perceive that prices are similar and 26% declare not knowing. Price perception on Canadian beer differs from the other alcoholic beverages. While 32% percent perceive that Canadian beer is cheaper in the U.S. than in Canada, 24% perceive that it was more expensive. 23% of respondents perceives that the price for Canadian beer in the U.S. is similar to the price in Canada, with 21% declaring not knowing.

These results indicate that goods that are imported in the U.S., such as foreign cars and alcoholic beverages (French wine and Canadian beer), are perceived by individuals as having a lower price differential with Canada. The significant variation in the number of individuals who answer «I don't know» is an indicator that respondents are answering the survey to the best of their knowledge and are not hesitating to indicate that they are unsure about price differences.

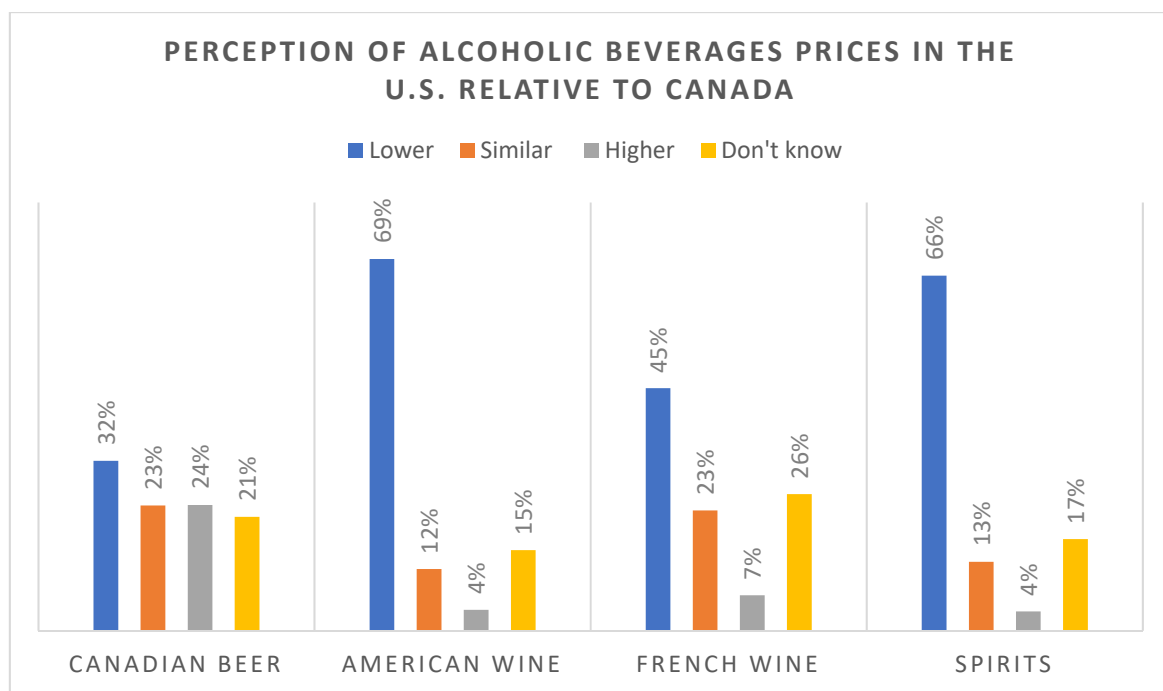


Figure 4: Price perception of Canadians for some categories of alcoholic beverages.

Figure 5 shows cross-border price perception for the three most consumed meat products, with meat being less expensive in the U.S. than in Canada. More specifically, 51%, 47% and 44% of

individuals perceive that chicken, beef and pork are, respectively, less expensive in the U.S. compared with Canada. The percentage of individuals who perceives that either chicken, beef or pork meat is more expensive in the U.S. is 7% or less. Statistically, we compare the distribution of perceptions for each pair of meats (pork-chicken, pork-beef, chicken-beef) using a Wilcoxon test, omitting the don't knows from the distribution. Of the six pairs, only the perception of chicken and pork differs statistically ($p\text{-value} < 0.05$). Therefore, there are as many Canadians that think that beef, a non-SM product, is more expensive in the U.S. as those who believe that chicken, a SM product, is more expensive in the U.S.

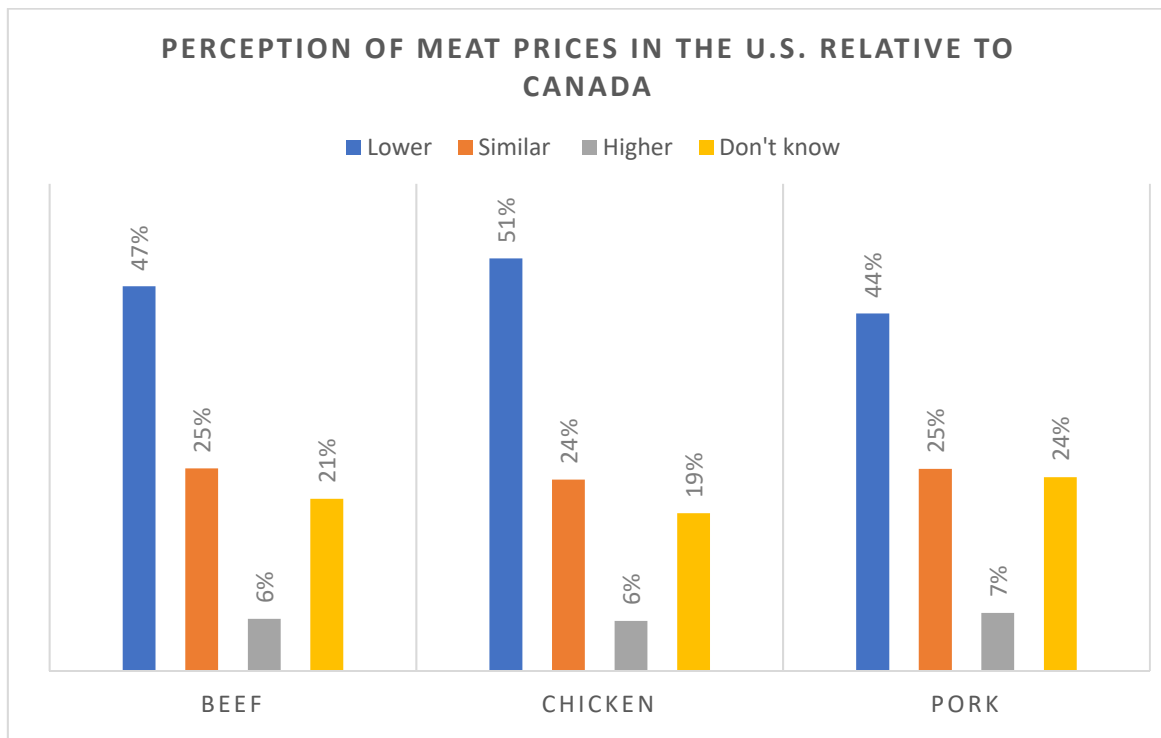


Figure 5: Price perception of Canadians for major types of meat.

Price perception for dairy products is presented in Figure 6. For the four categories of dairy products in the survey, respondents perceived lower prices in the U.S. than in Canada, with percentages varying between 37% and 55% between categories. For instance, milk is perceived

to be cheaper in the U.S. than in Canada by 55% of respondents, while 20% perceive milk prices to be similar across the border. Fancy cheeses and yogurt are seen as having a more similar cross-border price, relative to milk. But similar to the other product categories discussed, few respondents, less than 9%, perceive that prices are higher in the U.S. than in Canada.

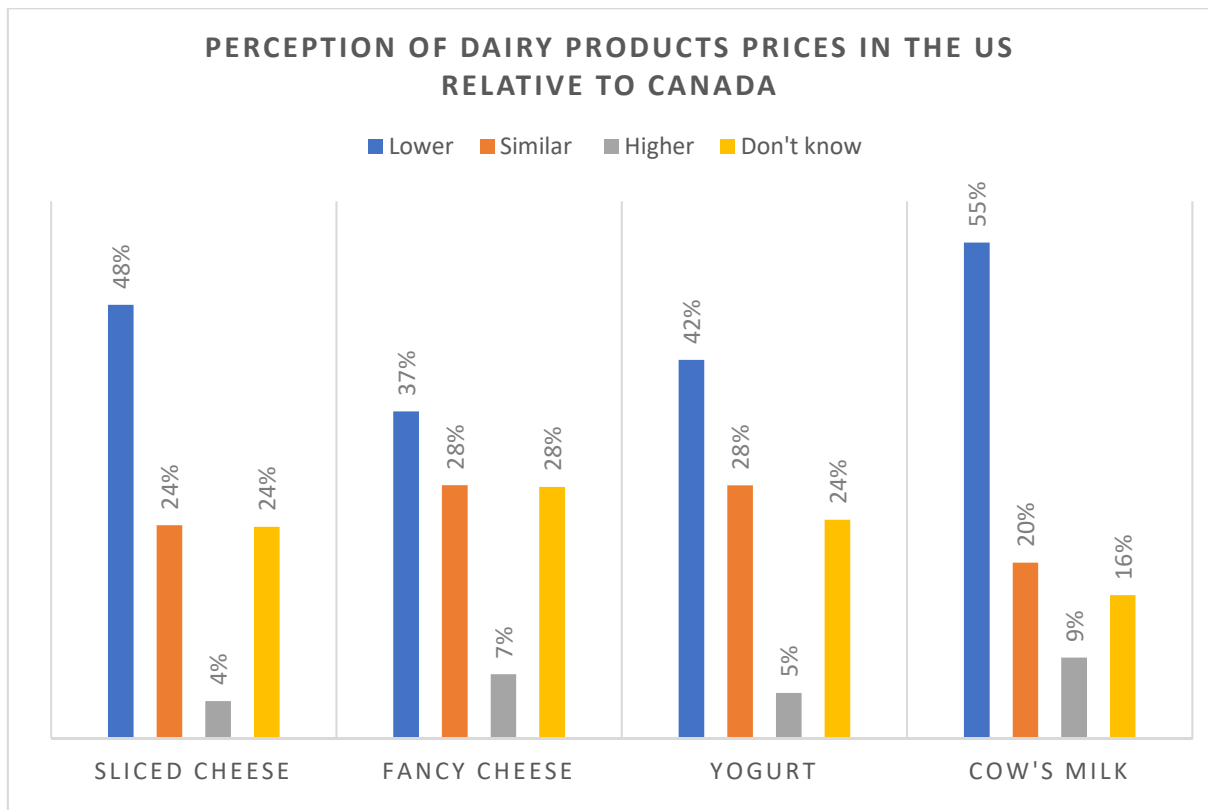


Figure 6: Price perception of Canadians for some categories of dairy products.

Figure 7 and Figure 8 show the perception of Canadians regarding prices of other food items in the U.S. relative to Canada. Figure 7 indicates that canned soup, fruits and vegetables, eggs and bread are perceived to have, in general, lower prices in the U.S. than in Canada by 44%, 55%, 48% and 47%, respectively. Few Canadians perceive prices to be lower in Canada, with less than 6% for each product. The distribution of perception for fruits and veggies is not statistically

different⁷ from those of cow's milk. Similarly, eggs, which are also under SM, are perceived similarly as bread and canned soup, which are not under SM.

Figure 8 shows the largest percentage of respondents who do not know the price differential between the U.S. and Canada for almond milk (40%) and rice milk (48%). Nevertheless, a much larger percentage perceive that these plant-based milks have a lower price in the U.S. relative to Canada, than the percentage that perceives the opposite.

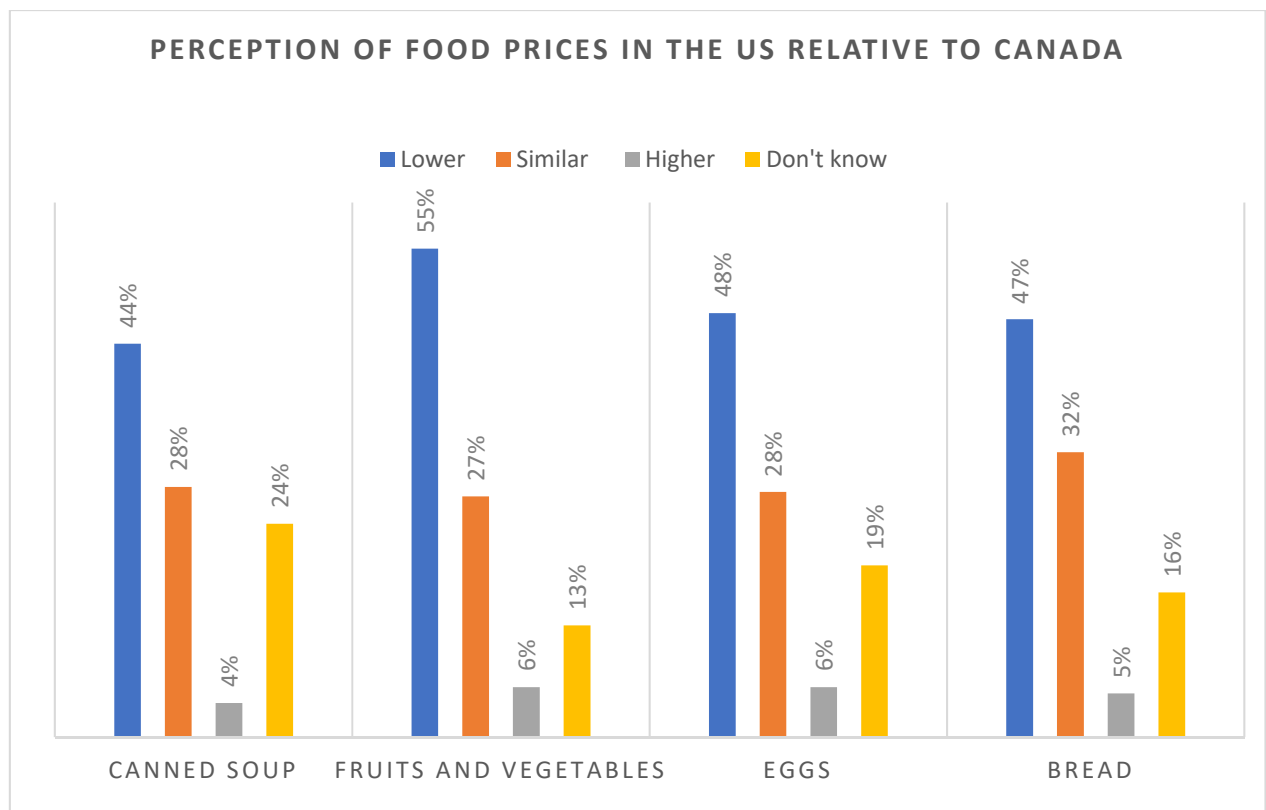


Figure 7: Price perception of Canadians for diverse food items.

⁷ Using a Wilcoxon test to verify the differences of distribution, excluding the don't knows, shows that we cannot reject the hypothesis that both distribution are the same.

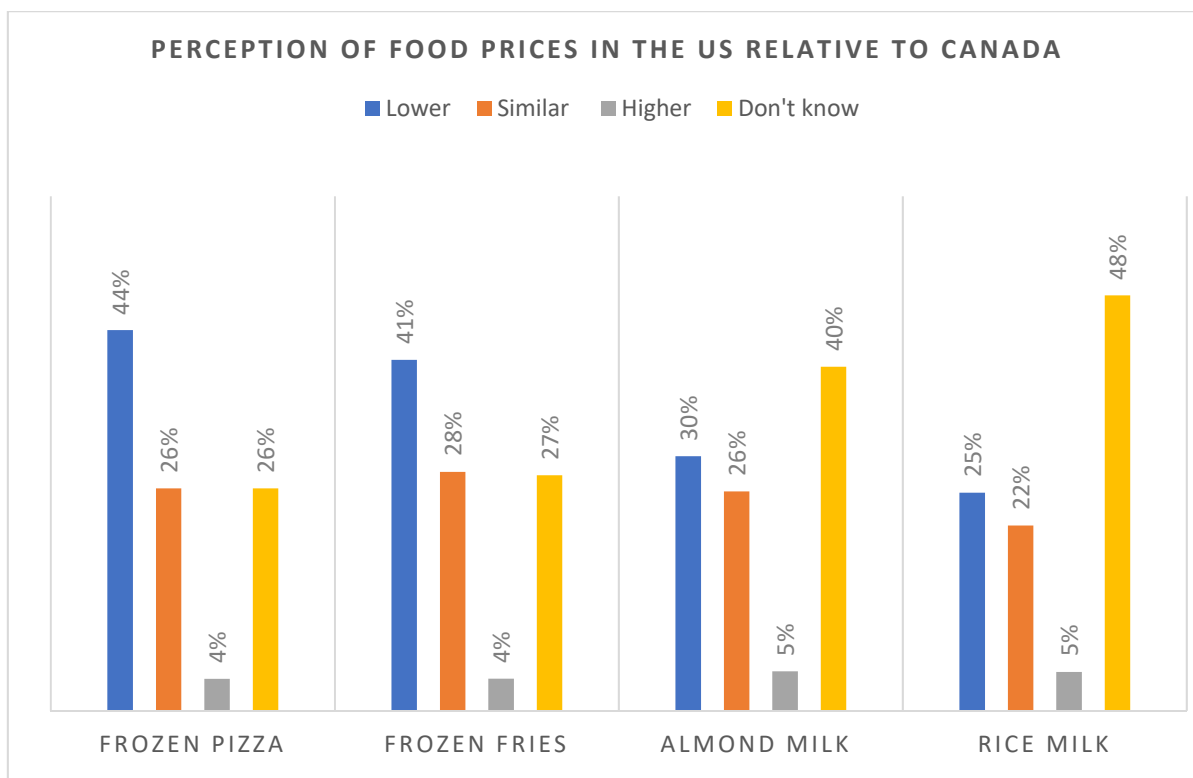


Figure 8: Price perception of Canadians for different food products.

Consider now sub-samples of respondents that may have more exposure to U.S. prices and therefore more knowledge of these differences. This group includes those who have traveled to the U.S, and those who have resided in the United States (RRU.S.) for over six consecutive months. The perceptions on price difference of respondents who have traveled to the U.S., relative to those who have not, shows no or very little difference⁸ in perception compared to the full sample for all goods surveyed. However, differences are observed between respondents who have resided in the United States (RRU.S.) for over six consecutive months compared with those who have not.

First, it is observed that among RRU.S., the percentage of «Don't know» is slightly lower (Figure 9) than for the rest of the sample, suggesting that these individuals have more knowledge and are more confident of the cross-border prices, as would be expected. Second, RRU.S. also have

⁸ Non statistical differences using a Wilcoxon test between the two samples (traveled to states vs. full sample) for each product, while omitting the don't knows.

lower percentages regarding the perception that prices are lower in the U.S. than in Canada for the broad category of consumer goods, food as well as for specific food like cow's milk (Figure 9). To test if these differences are statistically significant, a series of bootstraps were performed with 1000 draws. Results indicate that for cow's milk the percentage of RRU.S. who perceived price to be lower in the U.S. than in Canada relative to the rest of the sample is lower than the for rest of the sample and that difference is marginally significant. More precisely, the RRU.S. percentage is lower than 94% of any other random subsample taken of the same size. The difference is not statistically significant for the broad categories of consumer goods and food.

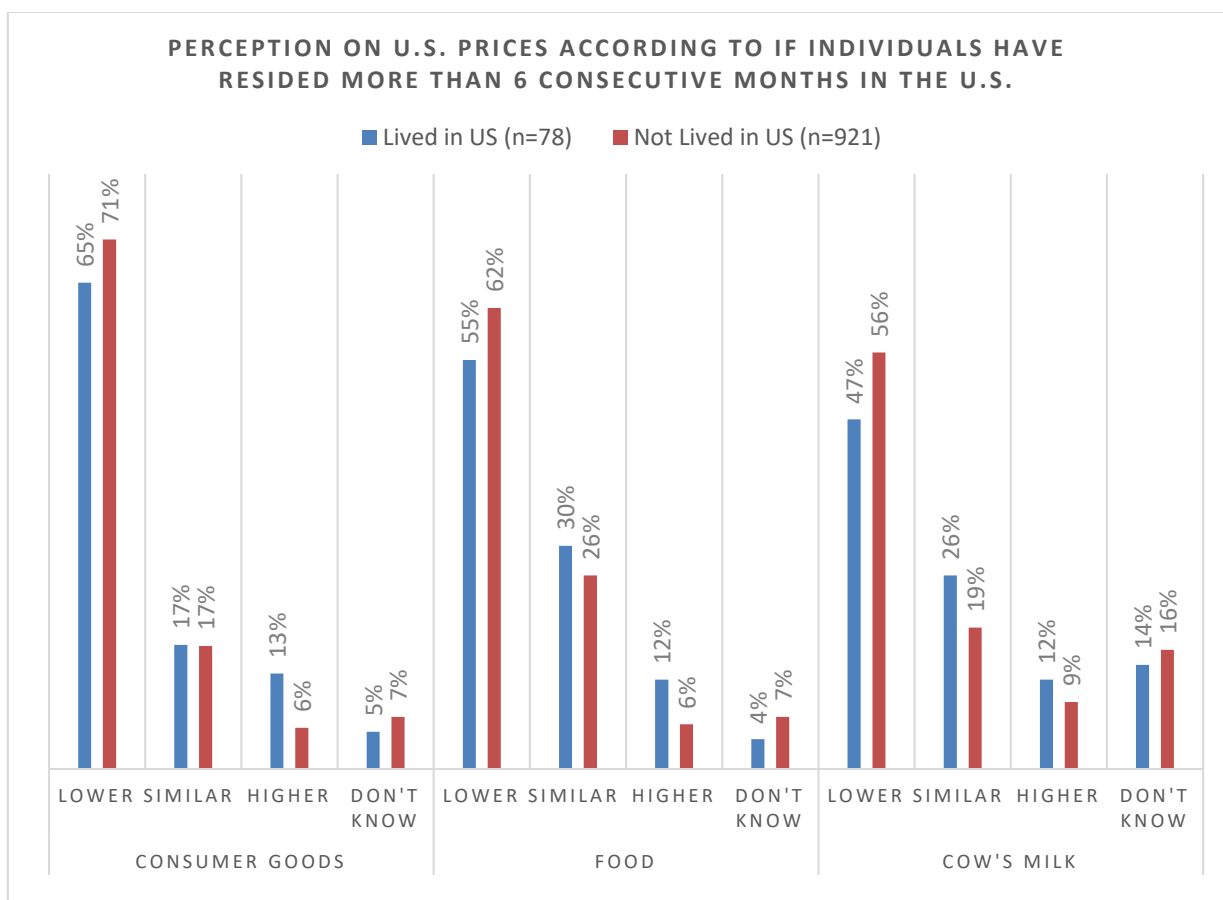


Figure 9: Price perception for individuals having resided in the U.S. for over six consecutive months compared to those who didn't.

A cross-border price perception gap is also observed between respondents who watch U.S. television (RWU.S.) more than once a week from the rest of the sample. (Figure 10). The first

observation is that RWU.S. are less likely to answer «Don't know» than the rest of the sample. While RRU.S. tended to have lower percentage for perception of lower prices in the U.S. relative to Canada (Figure 9), the opposite is observed for RWU.S. (Figure 10). Thus, RWU.S. are more likely to perceive that prices are lower in the U.S. than in Canada for i) consumer goods – (77% vs 64%), ii) food – (66% vs 56%), and iii) cow's milk – (56% vs 47%), than the rest of the sample. Results from bootstraps indicate that these differences are statistically significant. As an illustration, for cow's milk the RWU.S. percentage is higher than 99.9% of any other random sub-sample of the same size.

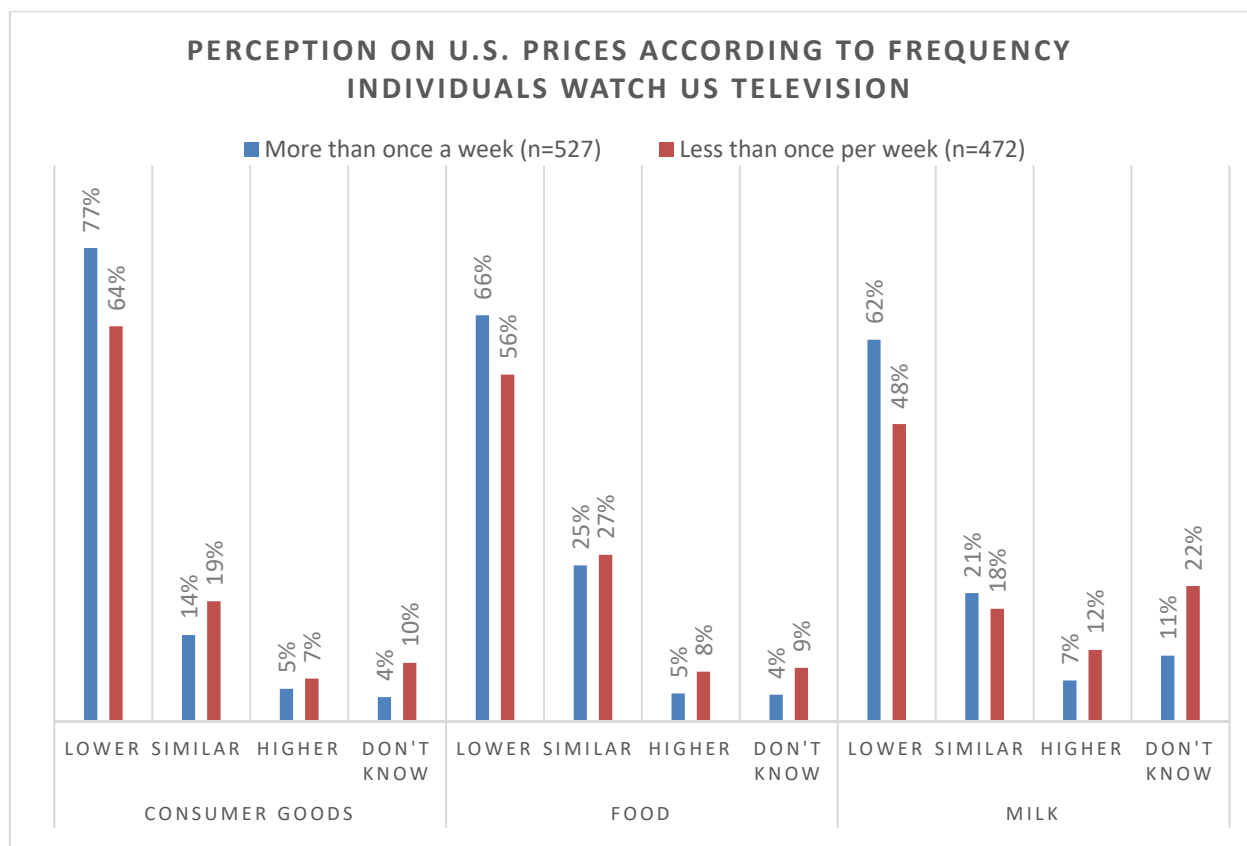


Figure 10: Price perception according to the frequency of television watched.

3.2. Perception on Standards

Figure 11 presents the perception of respondents for various standards. A majority of Canadians perceive that the quality of consumer goods is similar in the U.S. compared to Canada.

Almost half perceive that quality control (47%) and food safety (48%) to be equivalent between the two countries. On the other hand, most Canadians (54%) perceive that environmental norms are lower in the U.S. than in Canada. Farmland and consumer protection generate the highest level of «don't know» answers with 29% and 21%, respectively. Note that few Canadians (4% to 7%) perceive that the U.S. have higher product quality and standards than Canada.

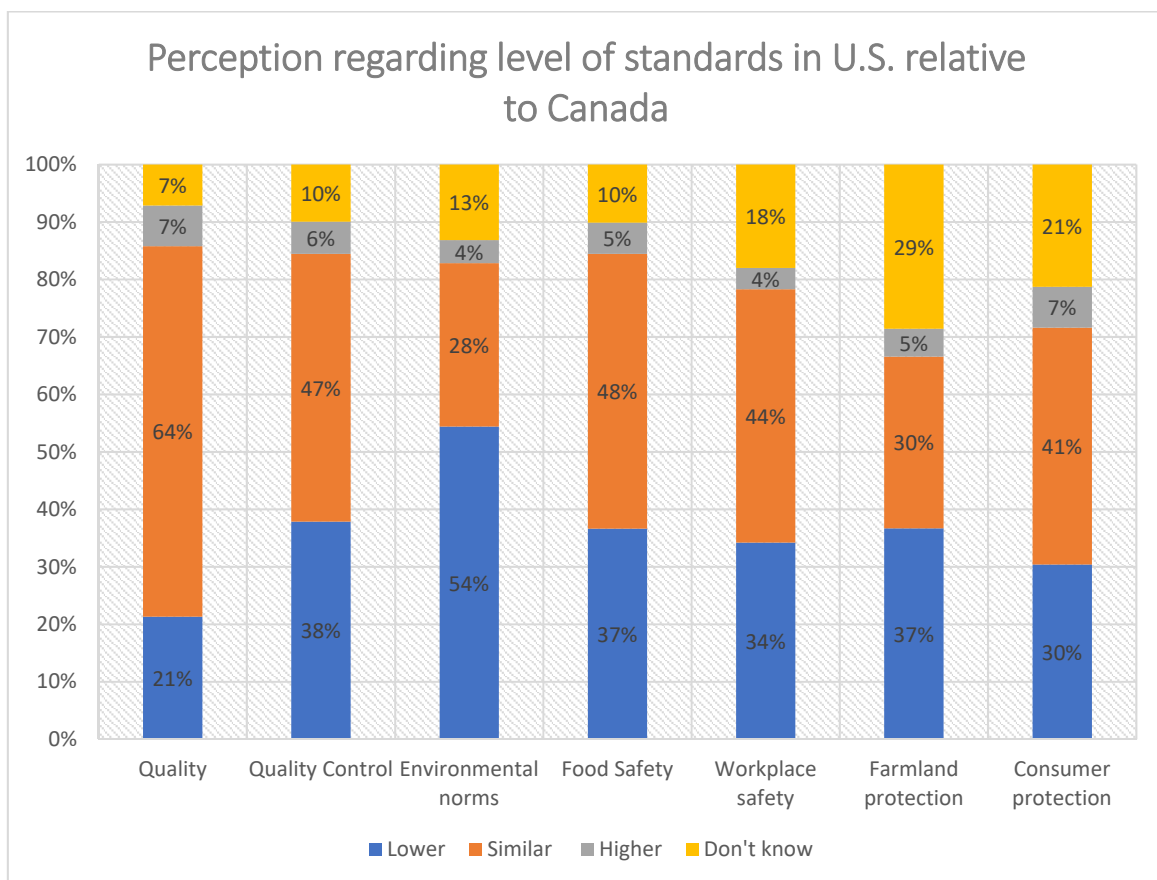


Figure 11: Perception of different norms and standards in Canada and the U.S.

3.3. Level of Agreement with Social Type Statements

In the last segment of the survey, participants were asked their level of agreement with four statements. Figure 12 shows that 76 % of individuals agree (combining totally and partially) that “Buying Canadian is important to me.” The statement “Canadian rural communities are doing better economically and socially than rural communities in the United States” is agreed with

among 42 % of respondents. Similarly, 46% agreed with the statement “Canadian middle-class workers are faring better economically than middle-class workers in the United States.”; while 55% agreed that “Agriculture in Canada is based more so on the family farm model than agriculture in the United States.”

RWU.S. share almost identical perceptions to the rest of the sample, as well as respondents that have traveled to the U.S. for more than four consecutive days. However, a higher percentage of RRU.S. (55% vs 46%) agrees with the statement that the Canadian middle-class is faring better than their American counterparts. RRU.S. were also more likely to agree (56% vs. 43%) with the statement that Canadian agriculture is based more on the family farm model.

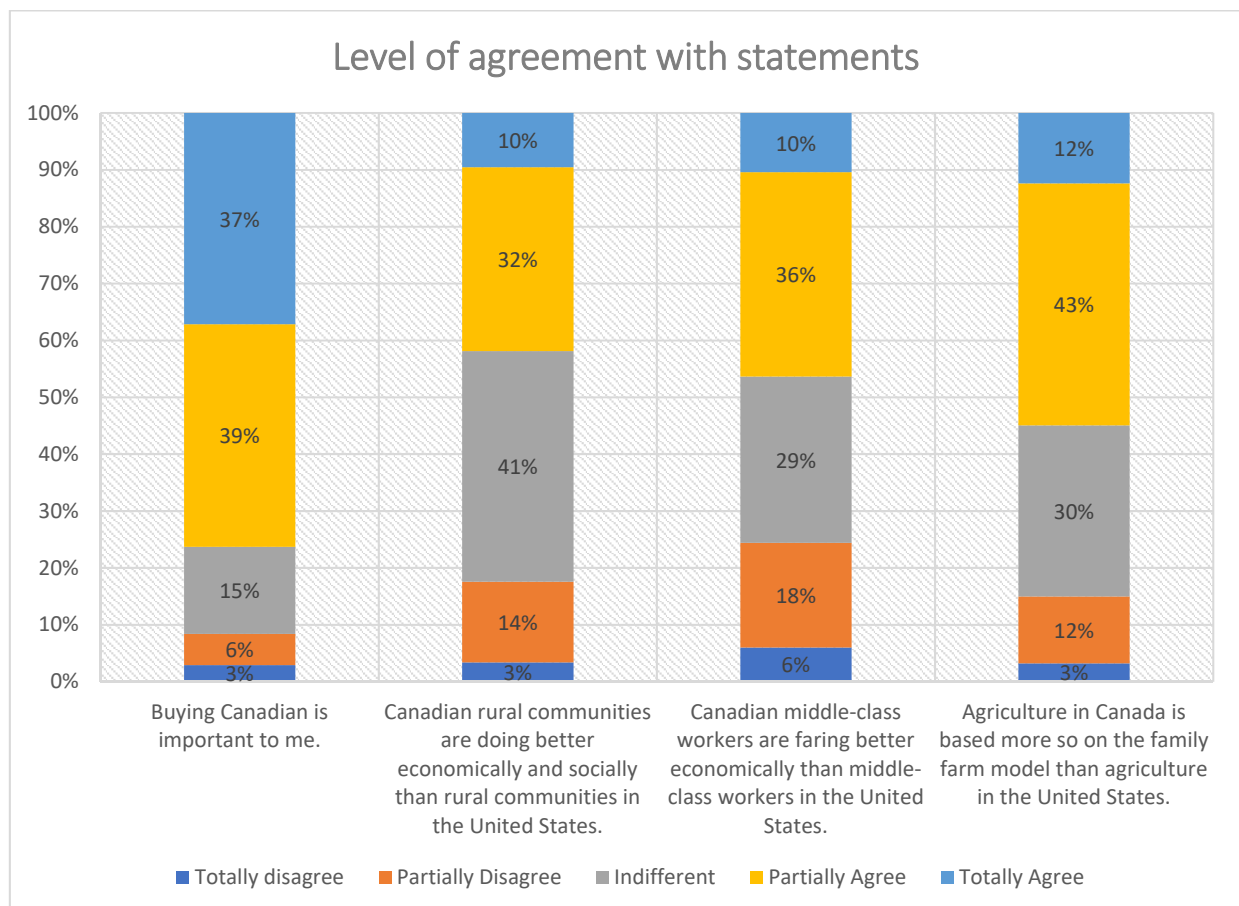


Figure 12: Level of agreement with four statements

3.4. Perceptions by Canadian Regions

Figures 13 to 17 compare the perception of selected consumer goods price difference between the U.S. and Canada by Canadian regions. Generally, Quebec has noticeably the lowest percentage of respondents who perceive that prices of consumer goods are lower in the U.S., followed by Ontario. On the other hand, the Atlantic region generally has the highest number of respondents that perceive price to be lower in the U.S., followed by the Prairies and B.C.

Perception for the selected animal proteins (beef, chicken, eggs, pork and milk) show substantial differences between regions (Figures 15 and 16). For instance, 60% of respondent in the Atlantic region perceive that chicken is cheaper in the U.S. than in Canada, while that percentage is 41% in Quebec. Similarly, 61% of respondents in the Atlantic provinces perceive that beef is cheaper in the U.S. than in Canada, while that percentage is 41% in Quebec. Similar differentials are observed for pork, eggs and cow's milk.

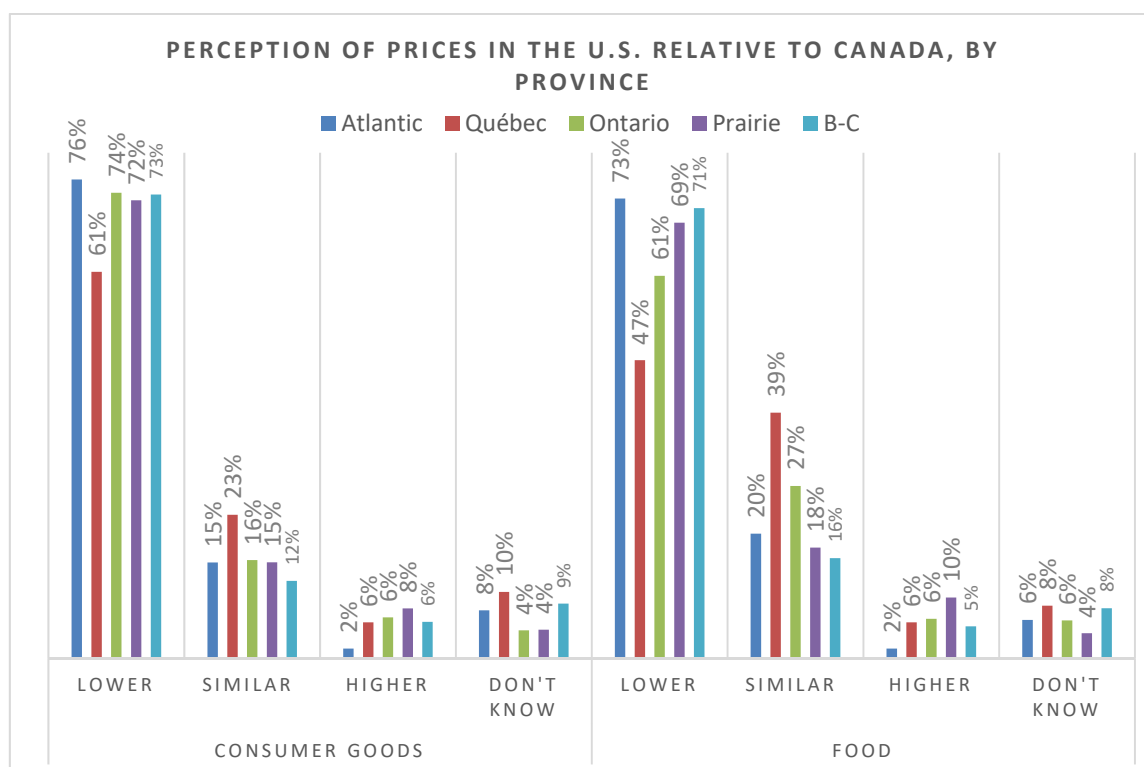


Figure 13: Price perceptions across Canadian provinces for Consumer Goods and Food, as broad categories.

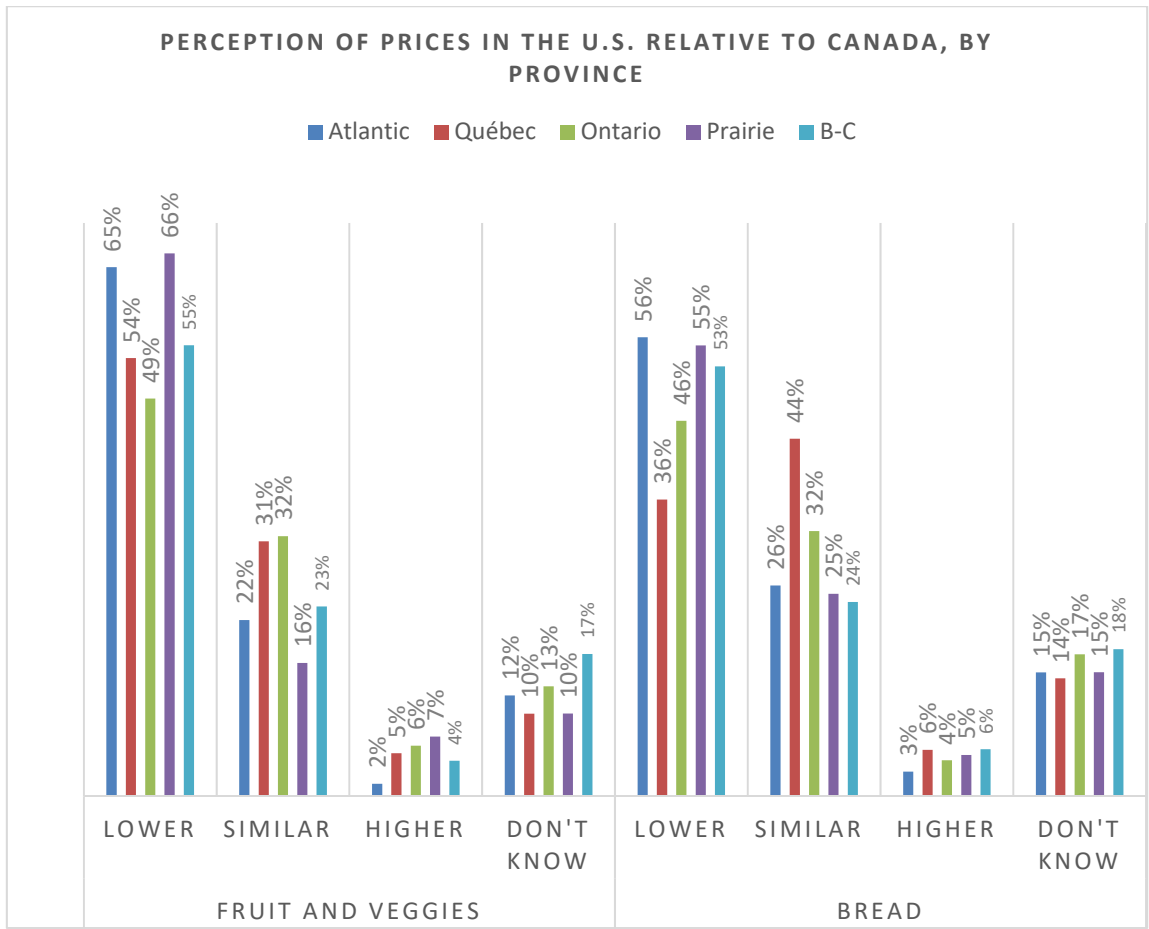


Figure 14: Price perceptions across Canadian provinces for 'Fruit and Vegetables' and 'Bread'

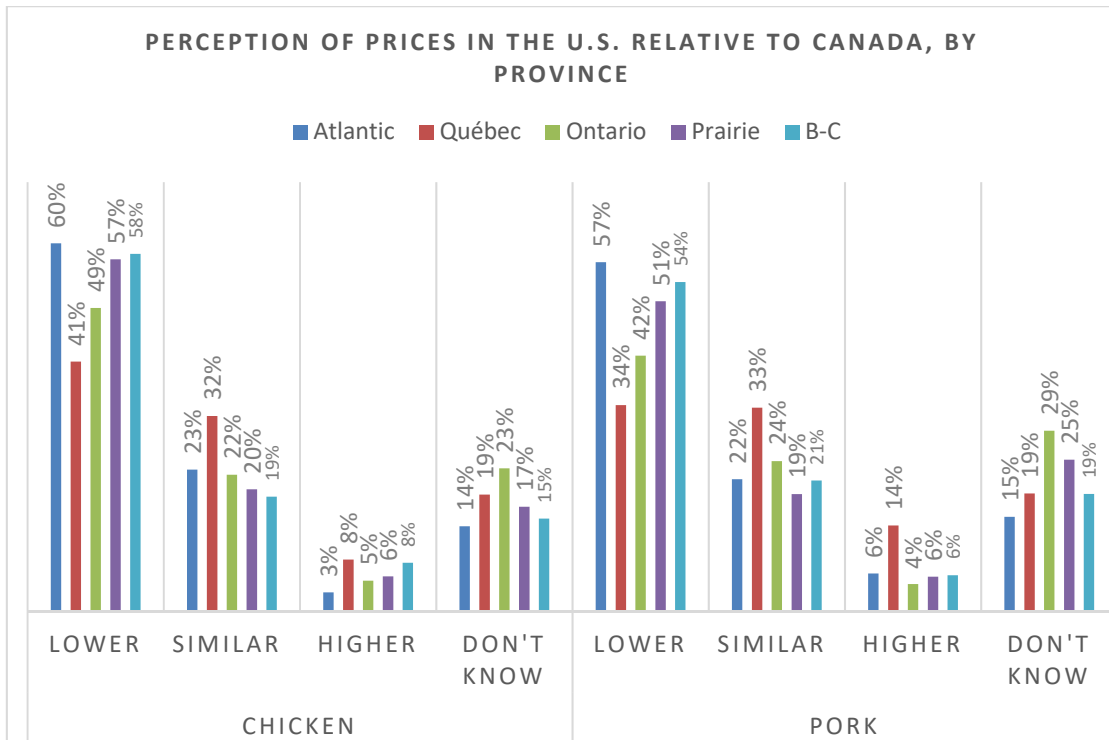


Figure 15: Price perceptions across Canadian provinces for 'Chicken' and 'Pork'

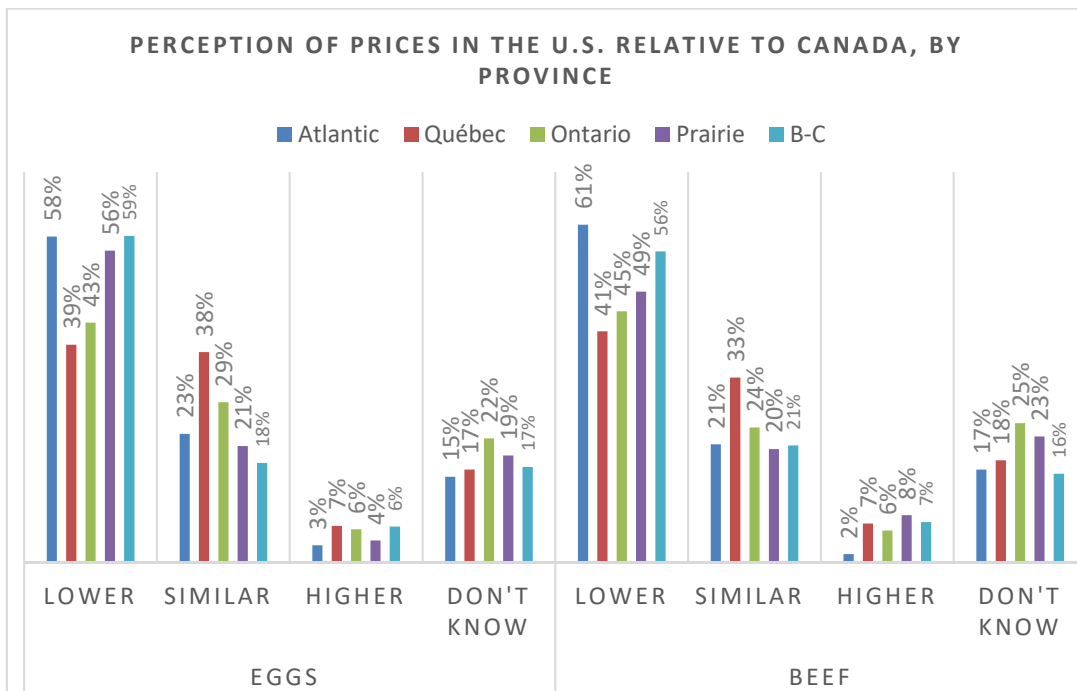


Figure 16 Price perceptions across Canadian provinces for 'Eggs' and 'Beef'

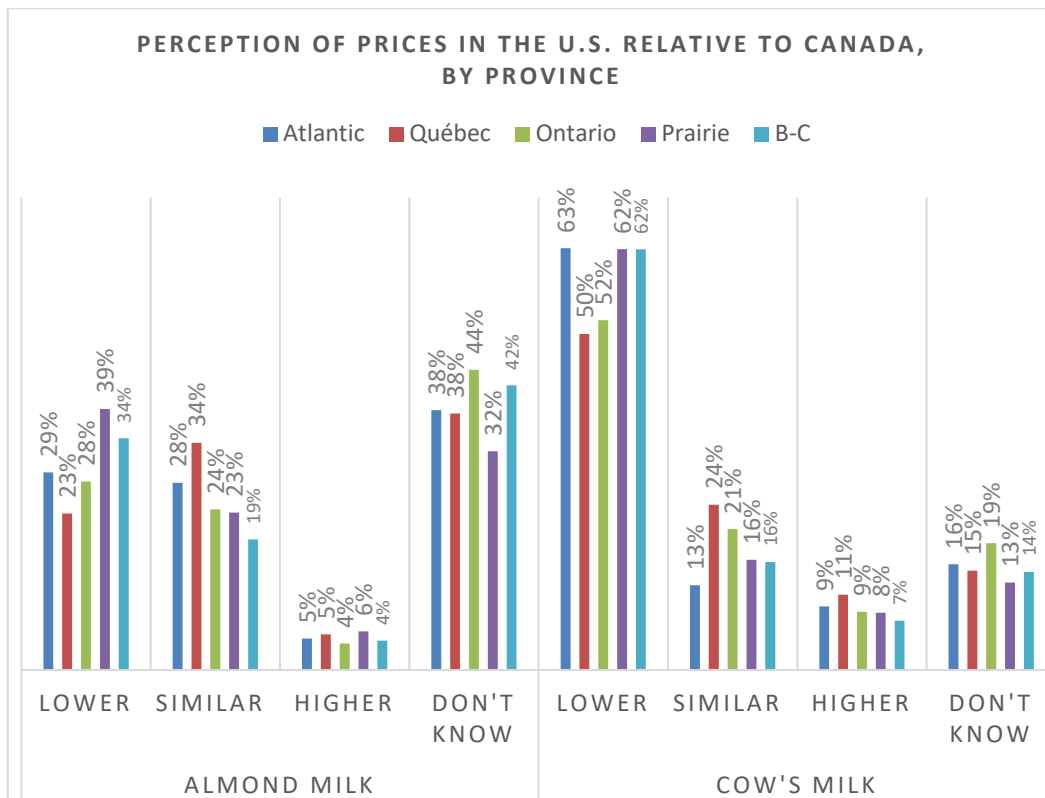


Figure 17: Price perceptions across Canadian provinces for 'Almond Milk' and 'Cow's Milk'

3.4. Perceptions According to Gender

Figures 18 and 19 report the perception of U.S. prices relative to Canadian prices for selected consumer goods according to gender for several broad categories (consumer goods, electronic goods, food) and for cow's milk. Generally, the men and woman share similar perceptions, with males having a slightly higher percentage of individuals who perceive prices to be lower in the U.S. than in Canada. However, this difference is more important for cow's milk, with 59% of men, compared to 42% for women, perceiving that prices are lower in the U.S. than in Canada.

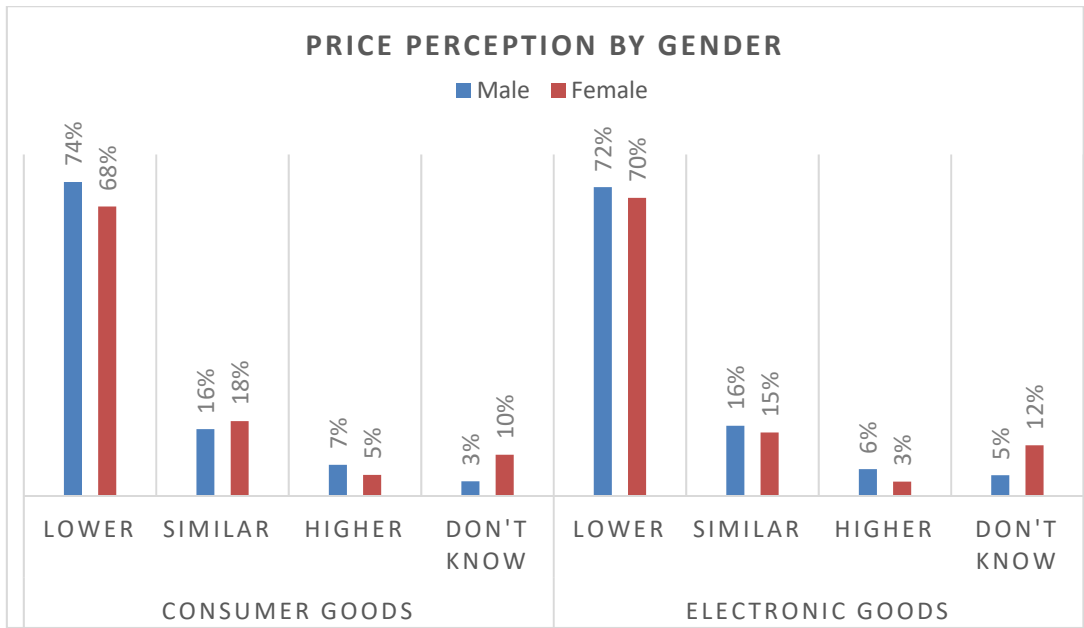


Figure 18: Price perception by gender for 'Consumer Goods' and 'Electronic Goods'.

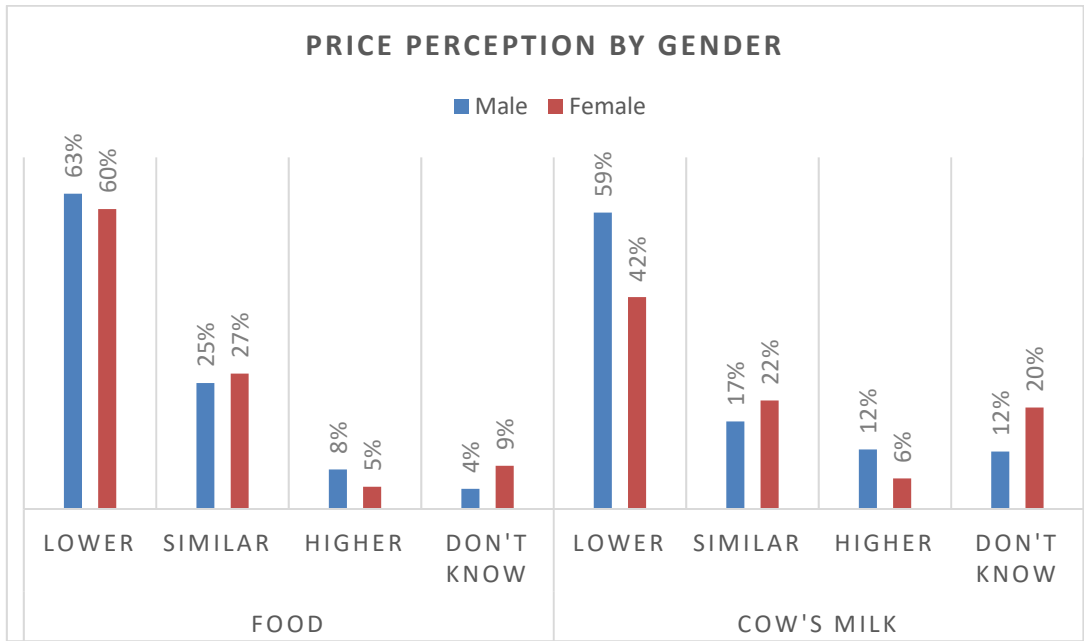


Figure 19: Price perception by gender for 'Food' and 'Cow's Milk'

To examine price perception with regard to age we consider two groups; those younger than 35 years old and those 35 years and older. Figures 20 and 21, reports the perception of U.S. prices relative to Canadian prices according to these age groups for several broad categories (consumer goods, electronic goods, food) and for cow’s milk. The younger group (YG) show a

lower percentage of respondents that perceive price to be lower in the U.S. than in Canada, relative to the older group (OG).

More specifically, the YG has lower percentage of individuals who perceive that prices are lower in the U.S. than in Canada for consumer goods (63% vs 74%), electronic goods (55% vs 77%), food (51% vs 65%) and to a lesser extent cow's milk (52% vs 60%) than the OG.

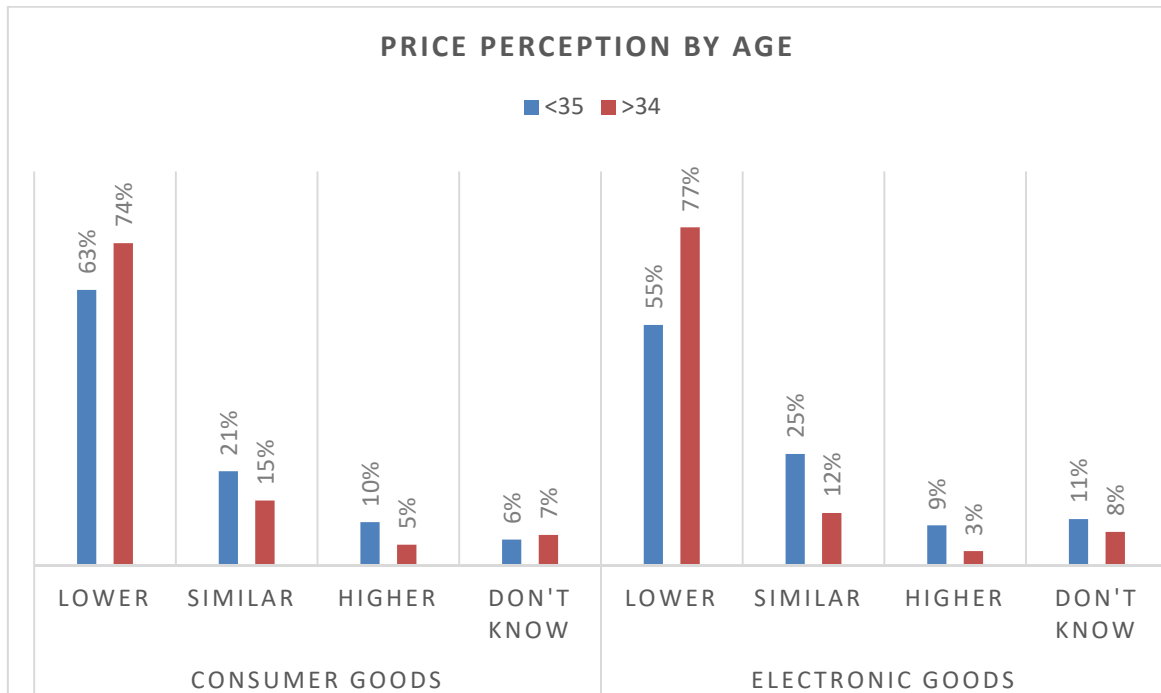


Figure 20: Price perception by age categories (below and above 35) for 'Consumer Goods' and 'Electronic Goods'.

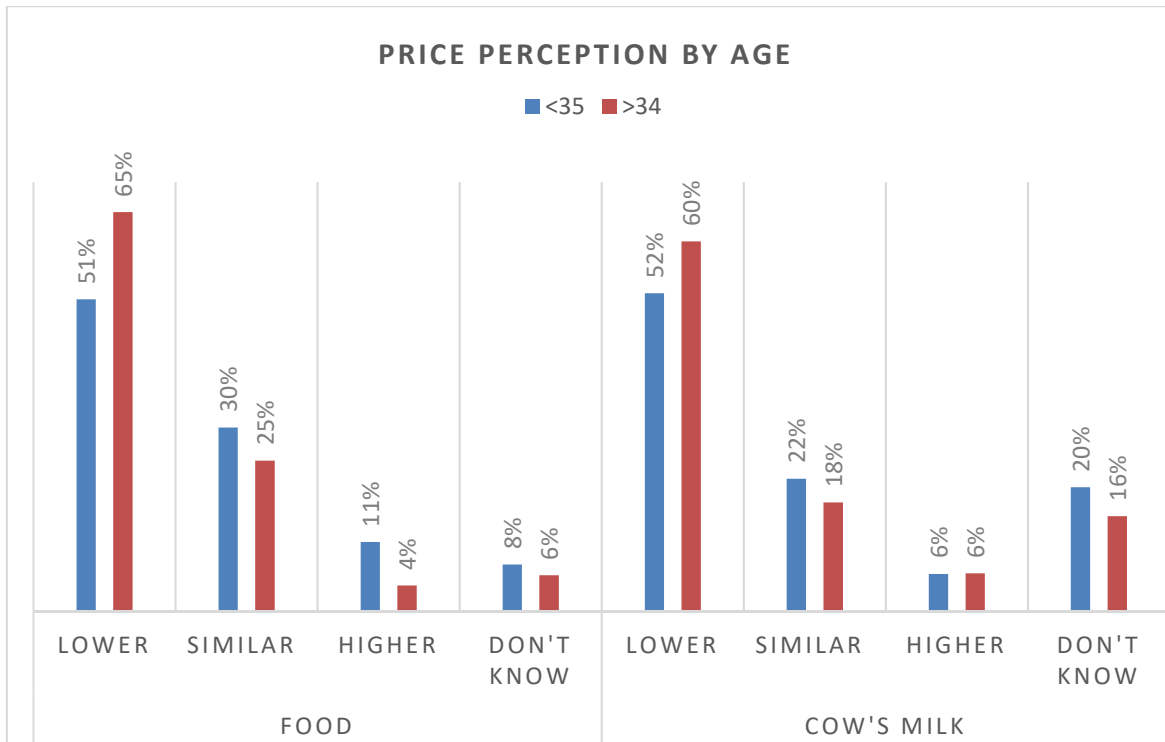


Figure 21: Price perception by age categories (below and above 35) for 'Food' and 'Cow's Milk'.

Interestingly, when asked if they agree with the statement that buying Canadian was important to them, the percentage of those who are indifferent is much larger among the YG (21%) compared to the OG (13%) (Figure 22). Nevertheless, it remains important for a majority (69%) of the YG, compared with 79% for the OG.

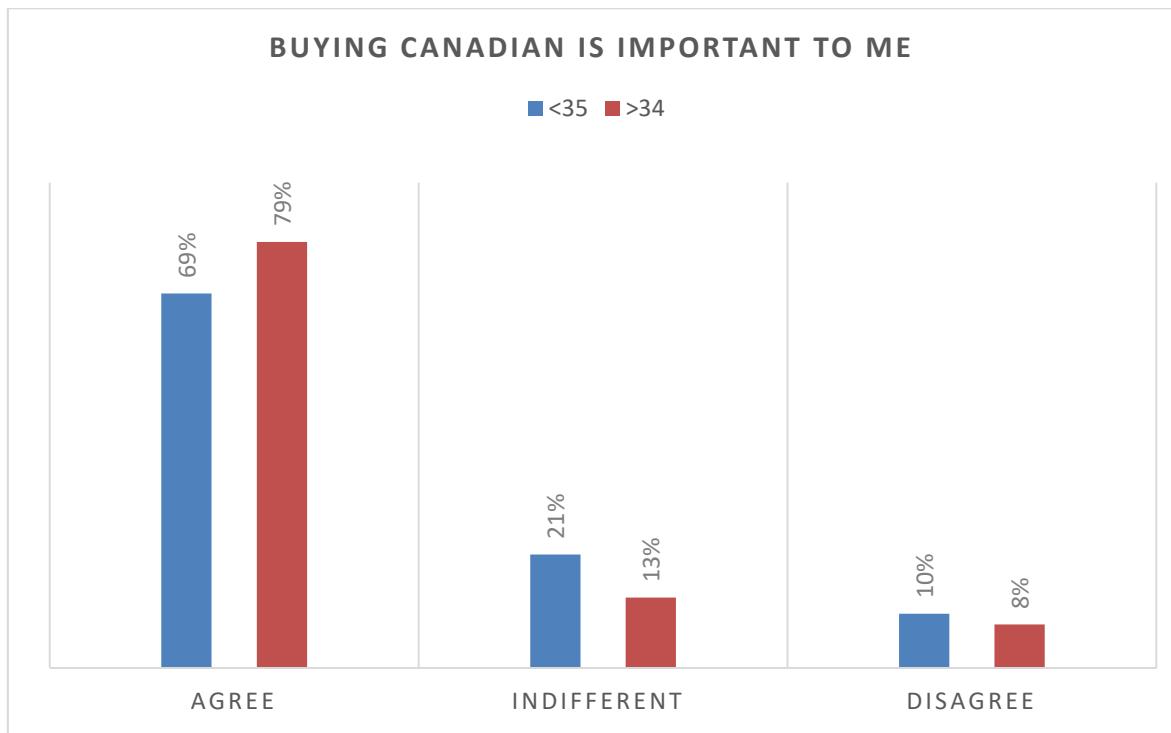


Figure 22: Agreement with the statement "Buying Canadian is important to me", by age categories (below and above 35).

4. Discussion and Conclusion

From our representative sample we can conclude that a majority of Canadians perceive prices for consumer goods to be lower in the U.S. than in Canada. In no product, with the exception of Canadian beer, is it observed that more than 9% of Canadians believe that prices are higher in the U.S. than in Canada.

For broad categories of goods, the results are striking. Notably, 71%, 61% and 71% of Canadians perceive prices to be lower in the U.S. for consumer goods, food and electronic goods, respectively. On the other hand, excluding the don't know answers, Canadians perceive that although the quality of consumer goods is similar between the two countries (69%), differences exist in standards. A majority (62%) perceive that environmental norms are lower in the U.S. than in Canada. Some perceive that quality control (42%), food safety (41%), workplace safety (41%) farmland protection (52%) and consumer protection (38%) are also lower in the U.S. than in Canada.

Among the 28 products for which perceptions of price differentials were asked, six are supply managed (chicken, eggs, sliced cheese, fancy cheese, yogurt and cow's milk). Results indicate that Canadians' price differential perceptions do not differ between food under SM and food not under SM.

This implies that most Canadians will likely be skeptical of the promise of paying U.S. prices if supply management is eliminated, given that they perceive U.S. prices to be generally lower than Canadian prices for most, if not all, consumer goods, including food items not under supply management.

Moreover, under the assumption that in aggregate the perceived cross-border price differences expressed by Canadians are in fact representative of real price difference, then we may infer that most consumer goods are more expensive in Canada and, more precisely, that the more expensive price in Canada cannot only be attributed to products under supply management. These counterfactuals disprove the previously discussed hypothesis expressed by equation 1.

We argue that while these results are based on perceptions, they do capture the knowledge Canadians have with regard to cross-border prices, and better reflect heterogeneous prices that may actually exist across geographical location and types of retail stores. Although this is an imperfect measure, we also argue that the inherent problems associated with retail price comparisons, as discussed previously, makes perceptions of price differential from a representative sample an interesting tool.

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