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**Solving the Farm Crisis:
A Sixteen-Point Plan for Canadian Farm and Food Security**

National Farmers Union

Submission to

Hon. Wayne Easter
Parliamentary Secretary
to the Minister of Agriculture and Agri-Food

January 20, 2005

Saskatoon, Saskatchewan

Solving the Farm Crisis: A Sixteen-Point Plan for Canadian Farm and Food Security

Presented by the National Farmers Union
January 20, 2005
Saskatoon, Saskatchewan

1. Guarantee farmers their costs of production

The federal government should implement a farm income support program that will guarantee that at least 95% of farmers recover their full costs of production, including reasonable returns on labour, management, and investment.

Currently, measurement of net farm income does not take into account the labour and management of farmers and their family members. Until these factors are included, farm income figures will always be unfairly skewed.

The Government of Canada should utilize farm cost surveys, as well as existing methods including income tax forms, to capture the necessary numbers to ensure that farmers' labour and management is included in net farm income statistics.

This should be a federal program, because federal-provincial cost-sharing has proven extremely inequitable for provinces that have large areas of farmland but few taxpayers.

In the current environment, a cost-of-production-based farm support program could cost Canadian taxpayers over \$10 billion per year.

◆ *Cost: See below for cost detailed cost estimate*

2. Set aside land and modulate grain supplies

Clearly, \$10 billion per year is unaffordable. Fortunately, there is no need to continue to use massive amounts of public money to patch up dysfunctional markets in order to save family farms. Simply acting as every other business sector does—working to modulate supply and to make some attempt to match supply to demand—will reduce to near zero the amount of farm aid required.

The federal government should work with the other four or five major grain exporting nations to concertedly, slowly, and predictably decrease the amount of land devoted to crop production until the price of the major grains increases significantly. For instance, Canada, the U.S., EU,

Farm support spending

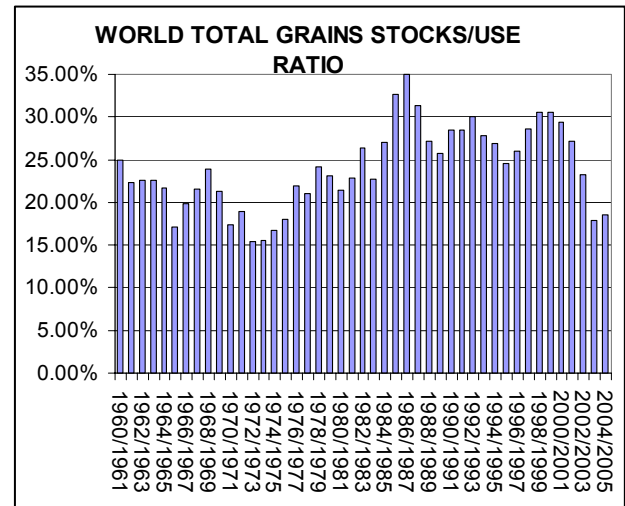
Direct payments to farmers (federal and provincial, net of premiums, not adjusted for inflation):

1990	\$1.7 billion
1991	\$1.9 billion
1992	\$3.2 billion
1993	\$2.6 billion
1994	\$1.4 billion
1995	\$1.0 billion
1996	\$1.0 billion
1997	\$0.9 billion
1998	\$1.1 billion
1999	\$1.7 billion
2000	\$2.4 billion
2001	\$3.5 billion
2002	\$3.1 billion
2003	\$4.3 billion

Australia, Argentina, and Brazil could commit to take 3% of their land out of production, and an additional 3% each year, until world grain prices double.

The Canadian government could pay short-term incentives to farmers who idle land. Farmers could voluntarily participate. As an example, government could offer \$50 per acre for farmers to reduce their cropping intensity below their recent averages.

World grain supplies are tight. Stocks/use ratios—an oft-quoted measure of supply and demand—have fallen in four of the last five years and are now at levels not seen since the 1970s. (See graph at right.) In the past five years, we’ve drawn down half of the reserves built up over the previous 35. We are consistently failing to meet demand—we’re eating more than we are growing.



Further, unlike 35 years ago, many important fisheries have collapsed or are fully exploited. The vast reserves of summerfallow acres that existed in the 1970s are now almost all under production, and our irrigation water resources are stretched to the limit. We are now facing the double uncertainty of climate change and depleting energy stocks. And we are about to add 30% to the world’s population in the coming generation.

Stocks/use ratios today are at the eighth-lowest level in the past 45 years. Assertions of “oversupply” and “surplus” are false. Thus, any move to modulate supply would have significant and immediate effects. If major exporters made a credible commitment to throttle supplies until prices increased, it is likely no actual land set-aside or payment would be necessary—simply the commitment to decisive action might be enough to get prices rising. And once begun, price increases could become self-sustaining as grain traders and processors began to accept that grain prices would be higher in the future and moved to buy immediately.

A successful implementation of Policy #2 (Modulating grain production) would raise grain prices and reduce the cost of Policy #1 (Guaranteeing cost of production) to near zero for grain farmers. Such a move would save taxpayers billions and build a stable base under our grain farms.

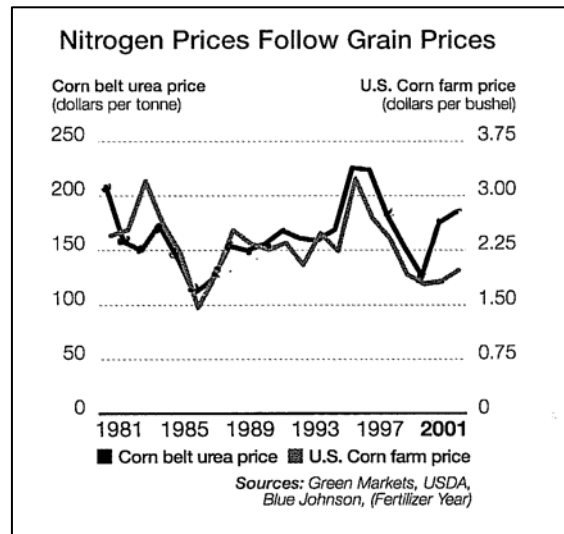
The cost of Policy #2 (Modulating grain production) might range as high as \$450 million per year, assuming that the federal government might have to pay farmers to idle up to 10% of Canadian cropland (9 million acres of land idled at \$50/acre). A 25% increase in grain prices, however, would put an additional \$3.3 billion in farmers’ pockets. A doubling of grain prices would put over \$13 billion in farmers’ pockets (about \$50,000 for an average farm and perhaps three times that much on many medium-sized and large farms) with equally-impressive spin-off benefits for the economy as a whole and for federal and provincial tax revenues and budgets. As noted earlier, this program may well cost nothing, because the mere announcement of a credible commitment to discipline production and raise prices may be enough to get prices rising.

◆ *Cost: zero to \$450 million per year.*

3. Control the power and profits of input manufacturers

Powerful transnational farm input manufacturers admit that they price according to what the market will bear—when farmers reap higher prices, input manufacturers increase the prices of their fertilizers, chemicals, tractors, seeds, and other farm inputs to snatch away farmers' profit dollars.

The graph at right is taken from the 2001 Annual Report of Agrium Corporation, a leading fertilizer manufacturer. Agrium's title states that "Nitrogen Prices Follow Grain Prices," and the company details the correlation between the price of U.S. corn and the price that it sets for its urea (nitrogen) fertilizer. Fertilizer companies, like other input manufacturers, price according to what the market will bear. If grain prices rise, input manufacturers raise their prices to snatch the extra dollars right out of farmers' pockets.



Programs #1 (Guaranteeing cost of production) and #2 (Modulating grain production) would together increase grain prices and farmers' incomes. Because transnational input manufacturers are huge and few—and are thus largely undisciplined by competition—input manufacturers will predictably boost prices to capture most or all of farmers' increased revenues—revenues both from government programs or from the markets. In the five decades since the Second World War, input manufacturers captured 144% of the revenues that their products added to farmers' gross revenues. Stated another way, for every dollar that new technologies and purchased inputs have contributed to farmers' revenues, farmers have been made to pay \$1.44. (For background on this calculation, see the NFU's *The Farm Crisis, Bigger Farms, and the Myths of "Competition" and "Efficiency"*, pp. 11-15.)

If farm families are to retain the fruits of agricultural prosperity—prosperity triggered either by government intervention or by random market price spikes—then *the market power of input suppliers must be restrained*. Governments must ensure that there are enough input suppliers in the market so that adequate levels of competition discipline these companies' ferocious abilities to confiscate farmers' legitimate profits.

Governments can help rebalance market power between farmers and agribusiness input transnationals in several ways including:

- Facilitating and/or funding the creation of farmer-owned co-op input manufacturers;
- Helping farmers to create input *buying* co-ops that would give farmers more equal power in the marketplace; and
- Requiring divestiture of assets by input makers in highly concentrated sectors (fertilizer, major farm equipment, seed, and chemical companies for instance) in order to increase the number of competitors.

The farm income crisis is not merely a commodity price and revenue crisis: the farm income crisis is created equally by the low prices farmers receive *and* by the high prices that farmers are forced to *pay*. Any Canadian farm policy that sincerely seeks to end the farm crisis *must* deal with agribusiness market power and the illegitimate extraction of wealth by input manufacturers. If not, the farm crisis is insoluble and the family farm is doomed.

Governments squeamish at “intervening” in “the markets” are merely refusing to deal with the dramatic market failure that leaves our family farms starving financially in an agri-food chain awash in billions of dollars in profits. Unless governments deal with the imbalance in market power, governments and farmers cannot resolve the attendant imbalance in the allocation of profits within the agri-food chain that is at the base of the farm income crisis. The markets are broken—distorted and twisted by corporate market power increasingly unrestrained by competition. It is irresponsible to stand aside and protest the evils of market intervention while these destructively-dysfunctional markets consume another 100,000 productive, third-generation family farms.

This Program (Restraining input manufacturers) may cost up to \$110 million per year, but it would have no net cost to taxpayers. Because the Program would help farmers retain *market* revenues in the form of net income, the Program would *reduce* taxpayer-funded farm aid spending.

- ◆ *Cost: \$100 million per year to fund the creation of farmer-owned input manufacturing co-ops.*
- ◆ *Cost: \$10 million per year to fund the creation of farmer-controlled input buying co-ops.*

4. Help farmers to unhook from profit-draining input makers

Programs #1 (Guaranteeing cost of production) and #2 (Modulating grain production) will help raise grain prices and revenues for many farmers, and Program #3 (Restraining input manufacturers) will help farmers hold onto some of that money and regain some profitability. But transnational input makers are so large and face so little competition that farmers probably won't be able to enjoy long-term stability or profit. Any sincere attempt by governments to boost farmers' net incomes must include measures that help farmers reduce their dependence on purchased inputs. Governments—through farm aid program, research, public education, credit guarantees, and, *especially*, new transitional loan programs—must help farmers move to input-reduced, organic, sustainable, energy conserving, or other alternative production systems.

Two programs would be very helpful:

1. Governments should channel their agricultural research funds to programs focused on *cost-minimization* and net income *maximization*. (Current policies are largely focused on the opposite: on production maximization and, thus, on input maximization.) Such a policy would mean shifting public research dollars into input-reduced, organic, energy conserving, and alternative agriculture and leaving the funding of research on input-intensive agriculture to the corporations who produce and sell those inputs.
2. Governments should provide loans to help farmers make the transition to alternative farming systems. For instance, the transition to certified organic production requires a three-year transition. During those three years, farm revenues and net incomes may fall, but after that period, farm net incomes may rise sharply. Farmers wanting to grow food

Research on input reduction yields big

In 1987, Iowa responded to nitrate contamination of groundwater by imposing a small tax on fertilizers and dedicating the resulting revenue (about \$1 million/year) to the Leopold Center for Sustainable Agriculture to conduct research on efficient fertilizer use. That research helped reduce nitrogen fertilizer use by 12%-15% relative to neighbouring states while maintaining high crop yields. A 1991 review by G.R. Hallberg et al concluded that these input reductions saved farmers \$50 million per year, and that additional efforts could produce annual savings of \$100 million.

organically may need guaranteed bridge financing at low interest rates and they may need a “holiday” from the requirement to repay principal.

Forward-looking, whole-system thinking can increase both the economic and environmental sustainability of our farms. Reduced fertilizer and chemical use can have benefits both for the environment and for farmers' bottom lines. With oil reserves running out, with energy prices rising, with nitrogen fertilizer prices following suit, and with greenhouse gas emission agreements forcing energy-use reductions, fertilizer use *must* fall in the coming decade. The government should help farmers deal with this new reality by moving to alternative production systems rather than, as the government is doing now, encouraging farmers to lock themselves into yield-maximizing, input-maximizing production systems.

The research component of this Program would not require new funds—existing research dollars could be re-directed and small taxes on inputs could fund expanded research. The transitional loan program could cost approximately \$250 million per year (the 5% interest cost of taking over one-tenth of Canada’s \$50 billion in farm debt).

- ◆ *Cost: \$250 million per year for a transitional loan program.*
- ◆ *Cost: No new money needed for research.*

5a. Modulate supplies of non-grain crops

The preceding four Programs would raise grain prices and help grain farmers hold on to some of those increased revenues. Similar programs could be undertaken—on a voluntary basis and with appropriate incentives—for potatoes, vegetables, and other non-grain crops. Such programs should build on successes in modulating grain supplies and on positive experiences in working collectively with other nations.

The cost of this Policy, #5a (Modulating production of other crops), might range up to \$50 million per year (100,000 acres of land idled at \$500/acre). As noted earlier, with global food supplies tight, this Program may cost nothing: the mere announcement of a land set-aside program may rally prices.

- ◆ *Cost: Zero to \$50 million per year.*

A perverse ag. policy

Farming is unlike any other economic sector. The grain sector, for instance, makes little or no attempt to match overall supply to demand. To the contrary, farmers (spurred by government encouragement to increased production and exports) strive to maximize production even when market signals (falling prices) seem to indicate that less production is wanted.

Business corporations do not maximize production: they try to maximize *profit*. Commercial enterprises know that as production goes up, prices go down. Businesses try to maintain production at a point where profit is maximized—a optimal point where either an increase or a decrease in production would lead to a decrease in profit.

Businesses know that overlarge increases in production may push prices so low that returns do not even cover costs, wiping out all profit and creating losses. This is the point where farmers are now. Any commercial business, finding itself at this point, would look for ways to modulate supply.

Unlike farmers, Coca-Cola does not run its factories at full capacity and then check some commodity exchange to see what the “world price” of Coke is. Coca-Cola works toward a price target that maximizes profits and the company matches production to demand.

Even producers of primary products manage their supplies. When gold prices fall, mines begin to close, beginning with those with the smallest profit margins. Oil producing nations use the OPEC cartel to attempt to manage production and maximize profits. Diamond producers hold diamonds off the market and to thus maintain extravagantly-high prices for a relatively-plentiful mineral.

Farmers will not reap sustained positive incomes until they modulate their production. For government to ignore this simple fact is to deliver farm families to economic destruction.

5b. Modulate supplies of meat

Program #2 (Modulating grain production) would raise the price of grain but not the price of livestock. Farmers who raise cattle, hogs, sheep, and other livestock may be caught between rising feedgrain prices and unchanging livestock prices, reducing their net incomes, and forcing them into long-term reliance on Program #1 (Guaranteeing cost of production). For this reason, it is important that farmers and governments begin to slowly and predictably reduce the level of livestock production in order to increase meat prices in line with increases in grain prices.

There are many ways to reduce livestock production levels while simultaneously increasing the net incomes of the farm families who produce that livestock. Farm aid programs should be capped and targeted so that small- and medium-scale producers are protected while the largest producers are left to shoulder some of the risk of giantism and expansion. Also, farmers could be given incentives for marketing livestock at lower weights, thus reducing meat production without reducing herd numbers. As another example, smaller farmers could be given preferential access to processors. Finally, Program #7 (Banning corporate farming), see below, would force a divestiture of livestock by corporations such as Cargill and Tyson, thus allowing independent family farm producers to take over that production. The net result could be that family farmers could *increase* their production and their herd sizes even as overall production is reduced to match supply. Properly implemented, government policies could reduce meat supply while *increasing* family farm livestock production and the incomes from that production.

◆ *Cost: near \$0 per year.*

6. Expand orderly marketing agencies and supply management

The Programs detailed above will increase national and international prices for grains, livestock, potatoes, and other food products. But a significant portion of these higher prices and returns may be snapped up by grain companies, railways, brokers, and other food-system intermediaries.

Canada's orderly-marketing institutions such as the Canadian Wheat Board and our supply management systems have helped farmers control marketing costs. These farmer-directed agencies operate on a non-profit basis, returning all market revenues to farmers (less minimal costs). Without orderly marketing agencies, higher grain prices will mean a windfall of billions of dollars for the world's dominant commodity-trading transnationals such as Cargill.

Canada should build on the successes of its orderly marketing institutions by bringing additional commodities under the authority of these agencies.

◆ *Cost: near \$0 per year.*

Supply management

In Canada, milk, eggs for eating, hatching eggs, turkeys, and chicken are all produced under supply management systems. Supply management has three basic elements:

1. Production management. Farmers commit to produce set amounts, under quotas.
2. Import controls. The government uses tariffs or other measures to prevent unpredictable inflows of foreign-produced products.
3. Cost-of-production pricing. Canadian officials measure farmers' costs and set prices accordingly.

Supply management provides stability and predictability for farmers and processors; treats farmers equitably with regard to price; and provides Canadians with a guaranteed supply of high-quality milk and poultry products at stable prices comparable to, and usually below, those in the U.S. and other markets.

The Canadian Wheat Board

The Canadian Wheat Board (CWB) rests on three pillars:

1. Single-desk selling. The CWB is the only seller for Canadian food-grade wheat and barley. Because of its monopoly, the CWB can capture premiums in the market.
2. Price Pooling. Farmers are paid equal prices for grain of equal quality. This gives farmers inexpensive protection from market swings.
3. Government partnership. The Canadian government guarantees the CWB's borrowings, allowing it to get money into farmers' hands quickly.

Because of the CWB's work, Canadian wheat is recognized as the highest quality in the world. Independent economists have quantified the CWB's benefits to farmers at several hundred million dollars per year.

7. Ban corporate farming and control contracting

The Programs outlined above will go a long way to restoring profit and security to Canadian agriculture. The promise of higher and stable prices, however, will attract corporations eager for profit, and will accelerate the corporate takeover of selected agricultural sectors.

Canada must ban the corporate ownership of land and livestock (except at minimal levels needed to facilitate processing). U.S. states such as Iowa have "anti-corporate farming laws."

The corporate takeover

Corporations are colonizing selected agricultural sectors, pushing family farms out. In Canada, this is most evident in the hog sector where corporate producers have displaced two-thirds of our family farm hog producers in just fifteen years. In the U.S., where chicken farmers do not enjoy Canada's supply-management system, farmers have become mere serfs—contract producers for Tyson. And U.S. dairy production is swiftly consolidating into huge units—some with as many as 14,000 cows.

But a ban on land and livestock ownership is not enough because, increasingly, corporations are gaining effective control of livestock and other produce through contracts. The organization of chicken processing in the U.S.—farmers forced to buy chicks from Tyson, buy feed from Tyson, and then sell to Tyson—is a stark example of how farmers can be controlled by contracts.

The federal government must work with the provinces to review agricultural contracts and to find ways to confine the allowable terms of those contracts to those reasonable and necessary for sales transactions (to facilitate processing) and minimal risk management. Corporations must not own livestock or land, and they must not gain de-facto ownership and control through contracts.

◆ *Cost: near \$0 per year.*

8. Transportation costs for western grain movement

In western Canada, transportation costs are a major factor in farmers' overall income picture. The shift away from bulk hauling on railway branchlines to increased use of semi-trailer trucks on rural roads has not only increased energy costs and usage, but also shifted those increased costs onto farmers and rural communities.

Perhaps no other policy decision has had a greater negative impact on western farmers' income than the ending of the Crow benefit and the legislative changes made to

transportation. The results have been devastating, with grain farmers' gross incomes reduced by as much as 40% through increased rail costs.

What farmers now need is transportation legislation which reinstates a straightforward costing review of the railways. This would once again allow farmers to share in the benefits of railway efficiency gains.

Experience has shown that the revenue caps allowed the railways are far more generous than necessary. The revenue cap value has declined over time, as the ability of the railways to price their services can rise, without any corresponding decrease in freight rates due to efficiency gains.

This occurs through the collapse of the rail system trackage and the consolidation of delivery points, which forces farmers to haul increased distances. Since the beginning of the 1999-2000 crop year, the number of licensed primary and process elevators located in western Canada has fallen from 1,004 to 416, a reduction of 59%.¹ The trend toward high-throughput elevators and the abandonment and transfer of thousands of kilometers of branchlines has allowed the railways to capture significant efficiency gains. Farmers, meanwhile, have been forced to pay increased costs for trucking, and rural communities have shouldered rising tax burdens associated with increased road maintenance.

The railways' ability to manipulate Industrial Development Funds to come in under the Revenue Cap must be stopped. These funds essentially force farmers to pay for rail infrastructure at the very terminal that forced them to haul longer distances.

While producer cars, in tandem with the Canadian Wheat Board, have acted as a small discipline on the railways and grain companies, further protection of branchlines, sidings, and switches must be implemented for this option to function at all. Farmers who try to utilize producer cars are generally given low priority by the railways, often facing long waiting periods and unreliable spotting of cars. The hopper car fleet in general has deteriorated, and substantial refitting must be done to reclaim this important asset.

The Canadian Government should immediately accept the proposal put forward by the Farmer Rail Car Coalition. Provision of hopper cars through the FRCC would save producers between \$2 and \$3 per tonne. On 25 million tonnes per year, that amounts to a saving of \$50 to \$75 million per year.

Further, we cannot allow statutory levels of service for the railways to be diluted in any way or modified to become a "service for fee" schedule.

The Government of Canada has been excessively concerned about railway profitability, and has allowed CN and CP to shift costs onto farmers who cannot afford it. The grain companies have reduced the number of collection points, forcing farmers to make huge capital investments in on-farm storage and larger trucks. The increased tax burden for rural

¹ Monitoring the Canadian Grain Handling and transportation System, Annual Report, 2002-2003 Crop Year, Quorum Corporation, December, 2003.

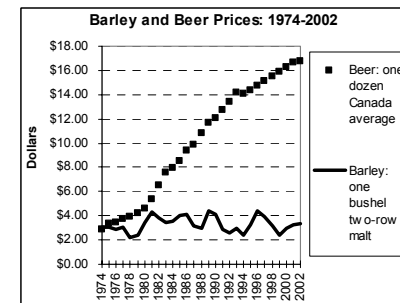
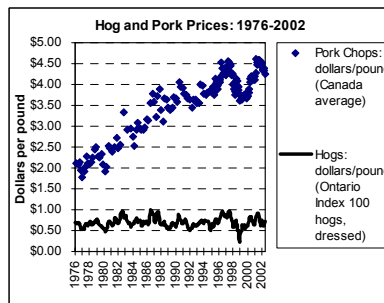
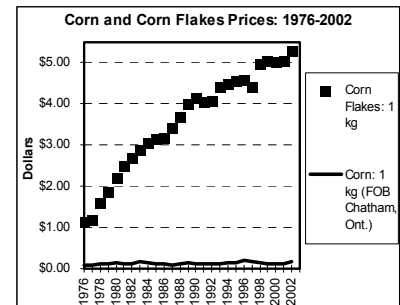
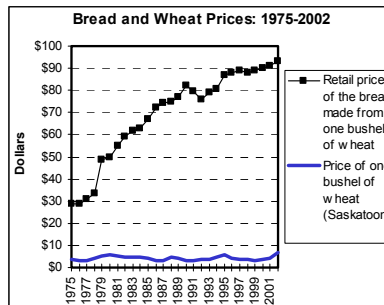
municipalities forced to increase expenditures on rural road maintenance has also added significantly to farmers' costs.

There must be a renewed emphasis on the use of railway branchlines to lower farmers' costs, and thereby contributing to higher net income.

9. Control supermarket and processor power

The preceding eight Programs will create farm prosperity. But farmers are just one part of our food system. Any farm policy overhaul must respect the needs of the vast majority of Canadians who are non-farmers, and who must buy their food. And such respect means disciplining food retailers and processors and dealing with the growing wedge between what consumers pay and what farmers receive.

The graphs at right depict price abuse by retailers and processors—the abuse, equally, of farmers and consumers.



If we succeed, through the Programs outlined above, in raising farm-gate prices to fair and sustainable levels, supermarkets will claim that these higher farm-gate prices necessitate higher grocery store prices. This is preposterous. In 1975, from a loaf of bread, the farmer received a nickel, and the millers, bakers, and grocers took 38¢. Today, the farmer receives the same nickel and the millers, bakers, and grocers take \$1.35.

While the farmers' 5¢ share has remained almost unchanged, corporate millers, bakers, and retailers have upped their share by almost a dollar. If farmers need another 5¢ per loaf, must that nickel come from consumers? Or could it come from the processors' and retailers' new-found dollar?

Seen another way, if processors and retailers had matched farmers' abilities to hold-the-line on prices and costs, and had these corporations refrained from taking huge profits and management salaries, the prices today of most of Canada's food products would be 50% to 80% lower!

The graphs above, and identical graphs that can be created for nearly every other food product, show that retailers have been using their market power to simultaneously push up prices to consumers and to push down prices to farmers (and to push down wages to workers). The

unchecked power of processors and retailers and the destructive pricing practices that this power makes possible are significant factors in creating Canada's farm crisis, in raising food costs, and in spreading hunger in Canada. It would be outrageous if these retailers and processors professed a need to hike retail food prices because of a small and long-delayed increase in farm-gate prices.

Unless governments deal with dwindling competition and growing market power in the retail and food processing sectors, farmers and consumers alike will continue to suffer. If federal and provincial governments allow retail giants to push 150% of farm-gate price increases onto consumers, the poorest Canadian families will be hurt unnecessarily. On the other hand, if governments curb retailer and processor profiteering, all Canadians will benefit from lower food costs and a more competitive, efficient, and dynamic economy.

◆ *Cost: near \$0 per year.*

10. Labelling

In terms of ending the farm crisis, one of the cheapest measures may be one of the most effective: The federal government should require that food labels disclose "the farmers' share." Toronto dentists, Halifax teachers, and Vancouver parents, struggling to understand why farmers need annual tax-funded bailouts, would gain valuable insights if, each time they paid \$1.40 for a loaf of bread, they were reminded that the farmer got only 5¢ and the remaining \$1.35 went to huge retail and processing corporations.

Other labelling information would be equally valuable in helping Canadians understand their food system and make sound choices. The federal government should also implement mandatory food product labelling that would disclose:

- the presence of genetically-modified (GM) ingredients; and
- the country of origin of the food or its significant ingredients and the number of "food miles" that a product has travelled.

◆ *Cost: near \$0 per year*

11. Organic and local

As noted above, organic farmers and those who minimize input use are able to hold onto more of their profit dollars. In addition, organic farmers can earn premium prices. Organic food can also have significant health and nutrition benefits for all Canadians, especially children. And organic food can have environmental benefits as well, and so can local food. Local food production minimizes fossil fuel use and, thus, climate change.

Canadian governments should pursue a push-and-pull strategy with regard to local and organic food. Program #4 (Help farmers unhook from input makers) would give would-be organic farmers transitional funding and it would fund research into alternatives to energy- and chemical-intensive farming. In this way, organic acreage and production can be increased. And program #10 (labelling food) would help consumers choose local, organic, and non-GM food alternatives, thus increasing demand to match increased supplies of these foods.

Helping redirect farmers from volatile, low-price export markets (more on trade policy below) and helping farmers instead focus on stable, high-price local markets could put billions of dollars in the hands of our family farmers and significantly ease the farm income crisis.

◆ *Cost: near \$0 per year*

12. Young farmer entry and intergenerational transfer programs

Taken together, the preceding 11 Programs will create farmer prosperity, reduce taxpayer-funded assistance significantly, and help solve several chronic environmental and health problems. These 11 Programs will give rise to an intensely vibrant farm sector and create a renewed engine of economic growth. And because that growth will be diffused and localized, the Programs will revitalize the rural communities that rely on farmers as an economic base. Good farm and food policy in Canada will create a rural economic renaissance.

The next step is to ensure that young, beginning, and small-scale farmers have opportunities to enter farming and to expand to a size required to financially support a family. A selection of federal and provincial policies that could aid the entry of new farmers and ease intergenerational transfer include:

- Changing the process whereby milk, egg, and poultry supply management quota is allocated (rely less on “ability to pay” for these quotas and focus more on allocation targeted toward young, beginning, and small-scale farmers);
- Help fund community land trusts and land banks that could help new farmers enter farming and small-scale farmers expand to a sustainable size;
- Create mentoring programs in small-scale livestock production, organic agriculture, input-reduced agriculture, etc. The dominant model of agriculture is defective and economically draining. Farmers need to be exposed to a diversity of models so that they can restore prosperity and sustainability on their farms.

Most critical, is that Canada create a farm transfer program. Canadian farm families have been forced to pursue a dangerous and profit-draining course: forced, nearly every generation, to refinance some or all of their assets with banks. Often, in order that the older generation can withdraw enough money to retire, the younger, incoming generation is forced to mortgage many of the farm assets. Refinancing a substantial portion of Canada’s land and farm assets every generation is a windfall for our banks which can perpetually collect interest payments on Canada’s vast land base. But such continual refinancing unwisely undermines our farms.

Currently, farm debt stands at nearly \$50 billion. And the amount that farm families pay annually to banks in interest (about \$2.3 billion) far exceeds net farm income! Our banks—which produce not one morsel of food—make far more profit off of Canada’s millions of acres than do our hard-working farm families.

An alternative to this generational re-mortgaging of our farms could be a Registered Family Farm Transfer Fund (RFFTF). Such a fund would operate like a Registered Education Savings Plan (RESP). The RFFTF might work as follows:

1. Farm families and governments would contribute equally and regularly to a tax-sheltered fund similar to an RRSP;

2. If a family member (or, possibly, another eligible person such as a young or beginning farmer) wanted to take over the farm, the funds could be used to roll the operation over to the new owners by providing retirement funds for the outgoing generation;
3. If the operation was not turned over to an eligible party, then the farmers could get their contributions back, but would not receive the government's contributions; and
4. Persons purchasing a farm and, thus, taking advantage of funds from such a program would themselves be required to participate in order to facilitate future intergenerational transfers.

A RFFTF could allow farms to become self-financing and it would break the destructive cycle of chronic re-mortgaging. Such a savings program would also allow more young people to stay on their families' farms, slowing farm loss and revitalizing communities.

Because of our aging farm population and the pressing farm income crisis, many farm transfers must happen very soon or they will not happen at all. Thus, an accelerated timeline is needed for this Program. If the government contributed \$500 million per year over the next twelve years and if farmers did the same (about \$2,000 per farm per year), and if investment earnings added 25% to the total, there would be nearly \$15 billion available twelve years from now. This amount could provide over \$61,000 per farm.

This \$61,000 per farm, combined with the significantly-increased profitability created by the preceding Programs, would create a large pool of money to finance the retirement of outgoing generations while not eroding the financial stability of incoming generations.

Additional work on this concept could explore how the RFFTF could be structured more like a Canada Pension system wherein funds are held collectively and retiring farmers had access to more money than they themselves may have contributed.

◆ *Cost: \$500 million per year*

13. Support rural communities

Farmers are not the only ones who live in rural Canada. To the contrary, the vast majority of people in Canada's thousands of towns and villages are non-farmers. And while farm prosperity will go a long way toward restoring financial vitality of these towns and villages, additional federal and provincial policies could be very helpful.

The Canadian government should explore measures to decentralize the Canadian economy and to build the infrastructure needed to support high-value jobs in rural and remote communities.

Such initiatives could include decentralizing Canada's colleges of agriculture and its ag. research. Both moves would be made even more effective if government agriculture research funding was increased.

◆ *Cost: \$0 per year and up.*

14. Food trade policies

Moving from the local to the global, Canada must re-examine its evangelic zeal for export expansion, trade agreements, and globalization. Canadian governments have worked aggressively to increase agri-food exports. In 1993, federal and provincial governments set an ambitious target of doubling agri-food exports to \$20 billion by 2000. Having accomplished their goal by 1996, well ahead of schedule, federal and provincial Ministers pledged to redouble exports to nearly \$40 billion (4% of world agri-food exports) by 2005. (This latter goal was actually put forward by the Canadian Agri-Food Marketing Council, a private-sector group that includes representatives of Maple Leaf Foods, Cargill, and McCains.)

Over the past 25 years, Canadian agri-food exports have increased five-fold—from \$5 billion in 1979 to approximately \$25 billion today. As the graph at right demonstrates, however, farmers' net incomes have *fallen* over the same period. The current farm income crisis comes in spite of Canada's tremendous *success* in winning market access and finding foreign customers. In fact, as we will explore below, the farm crisis has probably been exacerbated by our success as exporters and, especially, by the trade policies we have pursued in order to crack open those export markets.

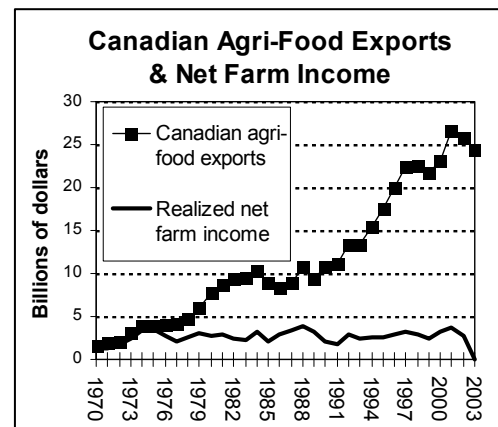
Agreements such as the North American Free Trade Agreement (NAFTA) and the World Trade Organization (WTO) Agreement are usually called “trade” agreements. However, the real-world effects of these agreements reach *far* beyond the benign goals of increasing our sales of wheat to Iran or potatoes to the U.S., of reducing tariffs and increasing access. For farmers and their net incomes, increased exports may be one of the *least significant* effects of trade agreements. Much more important for farmers—perhaps completely overwhelming any potential benefits of increased exports—may be the effect these agreements have on the balance of market power between farmers and the agribusiness corporations with which farmers must do business. Because it is this balance of market power that dictates the allocation of profits within the agri-food chain.

For farmers, so-called trade agreements do two things. By removing trade barriers, these agreements erase borders and force the world's one billion farmers into a single, hyper-competitive market. *Simultaneously*, these agreements facilitate waves of agribusiness mergers that have the effect of dramatically reducing competition for these corporations. Economists agree: as competition increases, prices and profits decrease, and vice versa. Thus, by increasing competition among farmers, “trade” deals predictably decrease or eliminate farmers' profits. And by fostering a dramatic *decrease* in competition among agribusiness corporations, trade deals dramatically *increase* profits for these companies.

How's the export game going?

If you make a list of the farm sectors that focus most heavily on exports—grains, oilseeds, hogs, etc.—and a list of the sectors hardest hit by the farm income crisis, you will have the same list.

Sectors that focus on supplying the Canadian market—dairy, eggs, poultry—have largely escaped the crisis.



As stated above, Canada has tremendous potential to build agricultural prosperity by focusing on local markets. The relative stability of our supply-managed dairy, poultry, and egg farms demonstrates this. And the evidence shows that our focus on export agriculture has been a failure. To help end the farm income crisis, Canada must redirect its focus away from export markets toward domestic markets.

Finally, a redirection toward domestic production could take place without depriving family farms of markets or production opportunities. As noted above, if Canada outlawed large corporations from producing livestock, family farms would have to *increase* their production and sales. And this can happen hand-in-hand with a move away from export production. A supply-managed hog production system—focused solely on the Canadian market and without huge corporate producers—would require significantly *increased* production by family farm hog producers. And that production could take place at prices that guarantee farmers receive their costs of production. The same could be true for cattle production: focus on the domestic market and remove Tyson and other corporate players from cattle production, and family farm cattle production would have to increase.

Refocusing on domestic production—taken alongside a move to expel large corporate producers—is an opportunity for farm families to regain control of food sectors that are now being taken over by non-farmer corporations.

◆ *Cost: near \$0 per year.*

15. End hunger in Canada

It is probable that at any given moment Canada contains more stored food per capita than any other nation on Earth. Yet Canadians still go without sufficient food and food-banks are multiplying. If simply increasing production and supplies would eliminate hunger, then there would be no hunger here.

Every human has the right to food. In countries like Sudan, the government may not have the ability to guarantee that right, but in Canada we can. It is the clear responsibility of the government of Canada to ensure that every Canadian has sufficient food. Canada should explore initiatives such as Brazil's "Zero Hunger" (Fome Zero) policy. While Brazil, with its tens-of-millions of poor may be challenged to realize its goal, a wealthy and food-rich nation such as Canada should find it relatively easy to guarantee zero hunger.

◆ *Cost: To be determined.*

16. Deal with the growing epidemic of obesity, diabetes, and other health problems created by our food system

Nutrition means more than just "safe food". In current parlance, irradiated pizza pops are "safe" as long as they don't include levels of bacteria or other toxins above certain approved levels. But millions of Canadians are dying early because of health problems created from eating this "safe" food. In order to protect the health of its citizens and deal with rising healthcare costs, Canada

must implement policies that deal with the growing number of pathologies produced by our food system.

Policies outlined above—local and organic food, better labelling, reduced chemical use, lower food prices, and concrete steps to deal with hunger—will go part way toward reducing the death toll created by our food system. The NFU would welcome further ideas from Canada's governments on this issue.

◆ *Cost: To be determined.*

Conclusion and summary of costs and benefits

The preceding list of Programs is long and detailed and, even at that, not exhaustive. But at the core of most of these programs are two key ideas: farmers must cease trying to maximize production and exports (they must abandon systems that maximize input and technology and capital use); and governments must work with farmers to rebalance market power between our family farms and the agribusiness transnationals that control the other links of the agri-food chain. If we accomplish these goals, farmers will enjoy dramatically-increased net incomes and Canada will enjoy prosperous rural areas and improved and more sustainable economic performance.

Over the past three years, federal and provincial government spending on farm support programs have ranged from \$3.1 billion to \$4.3 billion per year. The programs listed above would require total government spending of about \$1.3 billion per year. The benefits would be as follows:

Savings to taxpayers: Approx. \$1.8 to \$3.0 billion annually. (Up to \$400 per Canadian family per year. In provinces like Sask. and PEI, the savings could amount to thousands per family per year.)

Increased net incomes to farmers: Many billions per year. (Perhaps a 30% increase in gross farm revenues and a manifold increase in net farm income.)

Job creation: Restoring profitability to farm families reduces the need for those families to each hold one or two off-farm jobs. This would open up those positions to other Canadians. Restoring farm prosperity would have the equivalent effect of creating, perhaps, 100,000 jobs in Canada, maybe more.

Environmental benefits: The Programs outlined above would provide a significant amount of the CO₂ emission reductions that Canada needs to achieve in order to meet its Kyoto Agreement commitments. These programs would reduce fertilizer use, thus helping reduce phosphate pollution in rivers and lakes. And the programs would reduce chemical use, to the benefit of humans and wildlife.

Health benefits: The Programs above would foster the production of locally-grown, organic foods. These programs would also deal with hunger and the poor nutrition that can result from eating inappropriate or over-processed food.

The time has come to speak plainly about the farm crisis: current government and corporate policies will destroy the family farm within this generation. We have already seen 11% of our farms lost between the 1996 and 2001 censuses. That trend will cut the number of family farms in half by 2025. Farm families are caught in a pincer: the farm income crisis is bearing down on them from the one side, and corporate takeover is bearing down from the other.

Farm aid money is an appropriate bandage for short-term economic downturns. However, the primary problem farmers now face—corporate market power and the subsequent imbalance in the allocation of profits within the food system—has become a chronic problem, a seemingly-permanent part of the farm policy landscape. As such, farm aid money is no longer appropriate. The appropriate action is to solve the problem, not to continue placing bandaids and administering transfusions while all the time refusing to speak the name of the disease or to take courageous action to cure that disease.

The Programs listed above, or similar programs designed in consultation with Canadians, can solve the farm income crisis and end the era of aid that has hurt farmers and taxpayers alike. Farm families urge any politician who believes that he or she has a duty to act in the public interest to examine the solutions listed above and to help solve Canada's farm and food crisis.

***IN THE HOPE OF A SWIFT REVERSAL OF THE CORPORATE AND
GOVERNMENT POLICIES DESTROYING OUR FAMILY FARMS,
RESPECTFULLY SUBMITTED BY THE NATIONAL FARMERS UNION***