

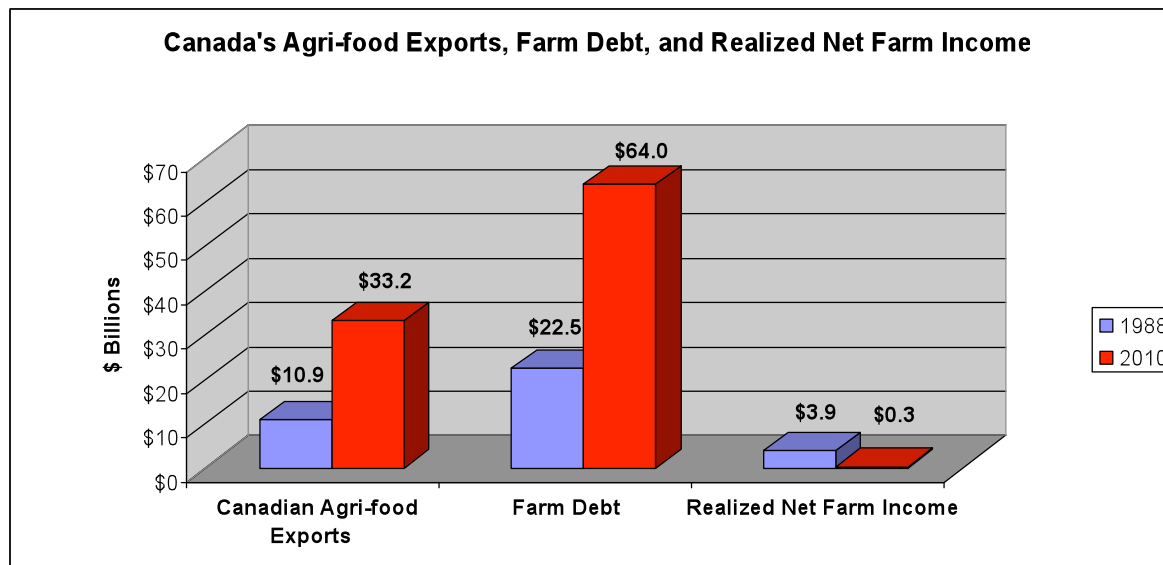
“Free Trade”: Is it working for farmers? *Comparing 1988 to 2010*

(June 18, 2010 updated (abridged) version of a flyer originally published in 2002 & revised in 2007)

In January 1989, Canada implemented the historic Canada-U.S. Free Trade Agreement (CUSTA). In January 1994, Canada implemented the North American Free Trade Agreement (NAFTA). And in January 1995, the Canadian Government implemented the World Trade Organization (WTO) Agreement on Agriculture (AoA).

Farmers have had 21 years of “Free Trade.” How is it working for farm families and rural communities? To find out, the following compares economic indicators from 1988 (the year before we set off down the Free Trade path) with those of 2010.

A. Exports and Farm Debt Up, Farm Income *Down*



1. Exports have tripled.
2. Farm debt has also tripled.
3. Canadian farmers' realized net income (includes depreciation) is projected to drop to \$300 million in 2010. The income forecast is *negative \$3.5 billion* before taxpayer funded support payments of \$3.8 billion are factored in.

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PRINTED AT ST. PETER'S PRESS, MÜNSTER, SASKATCHEWAN - PUBLICATION AGREEMENT NO. 40083391

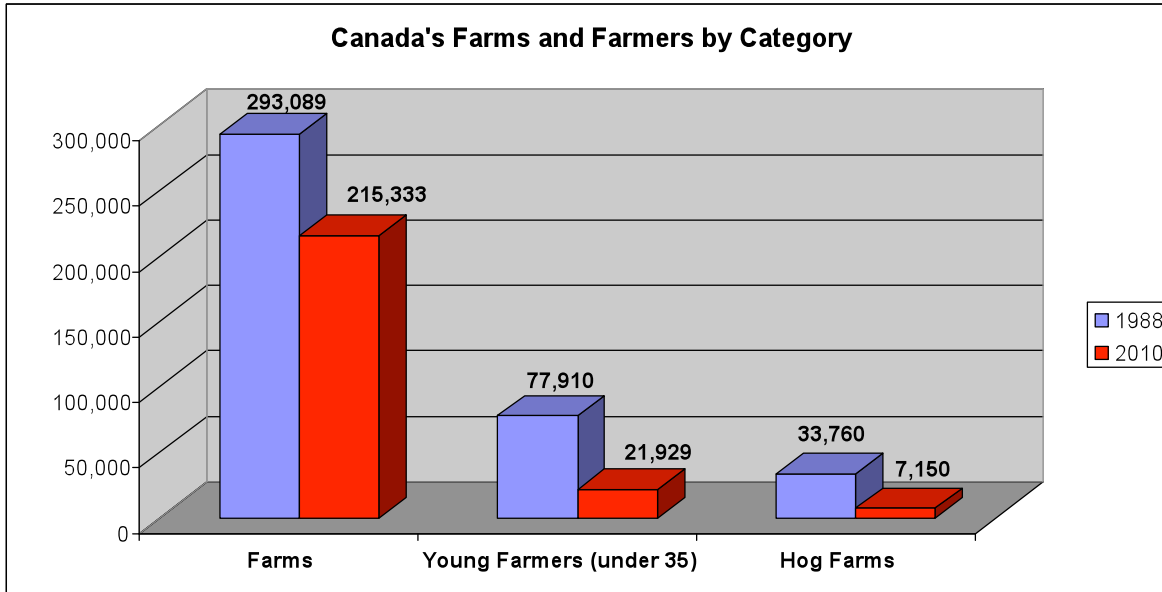


union farmer monthly

*Special Edition
Volume 60 Issue 2*

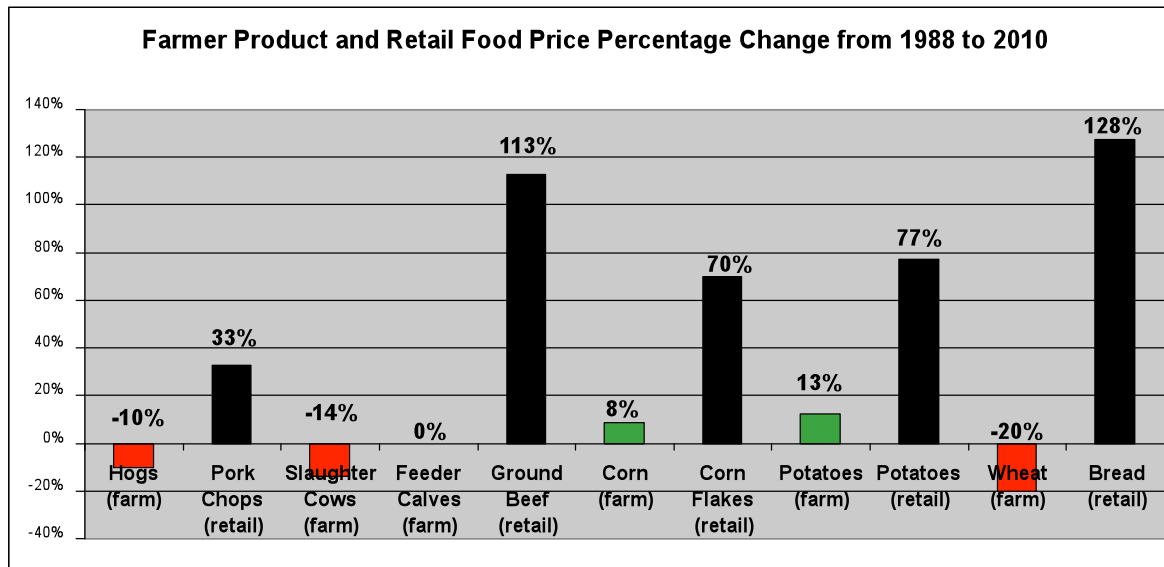
B. Viability of Farms and Rural Communities – Farm Population *Down*.

Rural communities require people and economically viable farmers. Canada has lost almost 80,000 farms since 1988 and has 70% fewer young farmers. The number of hog farms has dropped by 80%. Canada now has a family farm succession crisis and rural communities are being depopulated.



C. Retail Food Prices Up, Farmer Product Prices *Down*

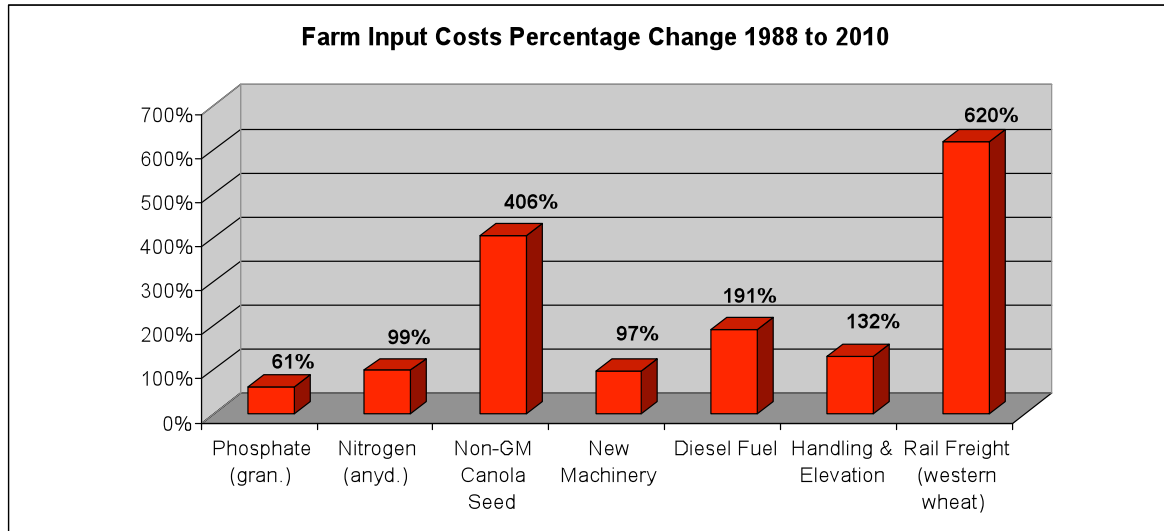
Retail prices have climbed. Ground beef and bread prices have more than doubled since 1988. Farm product prices have declined or remained flat.



Visit the NFU's website at: www.nfu.ca

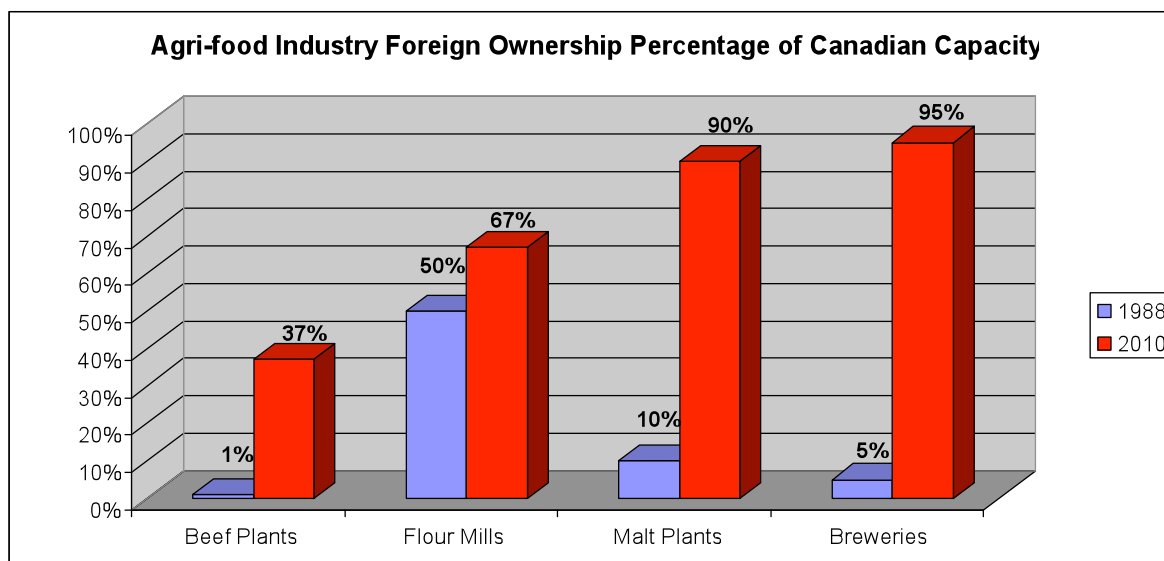
D. Farm Input Costs Up

Since 1988, anhydrous ammonia fertilizer, machinery replacement, and grain handling costs have doubled, diesel has tripled, non-GM canola seed is five times higher, and the western wheat rail freight rate is seven times higher. Farmers have been squeezed simultaneously by rising input costs and declining prices for their products. This cost-price squeeze has been accelerated by government policy such as the removal of the western grain Crow freight rate.



E. Foreign Corporate Concentration and Market Power Up

Foreign corporations have taken over Canadian companies and eliminated competition. In 1988, a farmer could buy a medium-sized tractor from six firms. Now, CNH and John Deere dominate. XL Foods (Cdn.) and Cargill now control 80% of Canada's beef packing industry. These two firms have enormous market power. The four major western grain handling co-ops have disappeared. Co-ops' share of the dairy processing industry has shrunk from 66% to 25%. Foreign ownership of the brewery sector has increased from 5% to 95%.



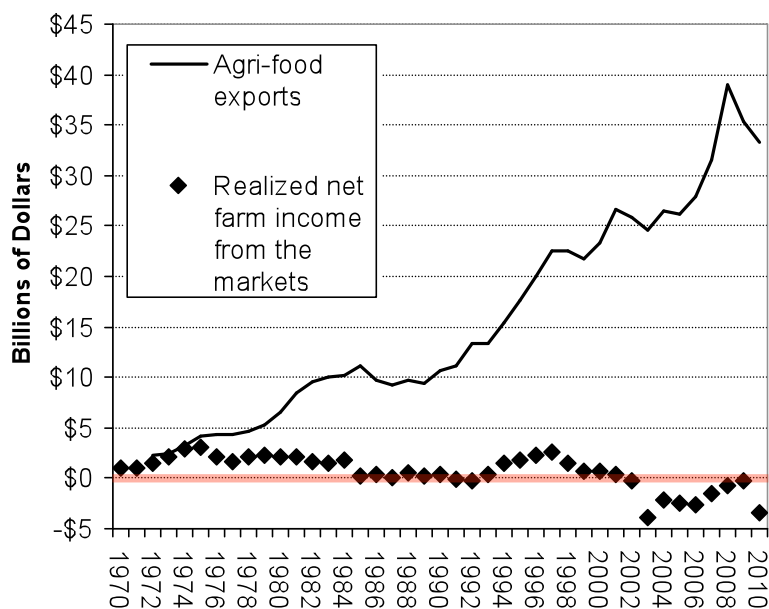
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F. Agri-food Processing – Jobs *Down*, Wages *Down*

Canadian governments have pointed to more jobs and prosperity as the benefits of Free Trade. Agri-food processing industry jobs have decreased by 8%. The starting wage at the Brandon Manitoba meat packing plant, was \$9.38 an hour in 1988 (\$15.01, inflation adjusted). It is now \$11.30, a decline of 25% in terms of purchasing power.

G. Why Isn't Free Trade Benefiting Farmers?

Trade agreements have given global companies enormous market power to increase profits by raising farmer input costs while lowering farm product prices. By removing tariffs, quotas, and duties, the economic borders between nations are erased and the world's one billion farmers are forced into a single, hyper-competitive market. Waves of agribusiness mergers are facilitated and competition is almost eliminated. Farmers are left at the bottom of the food supply chain with no market power. The result is increased profitability of multinational corporations at the expense of Canadian farmers. Family farms are disappearing. Farmers are keeping their farms afloat by off-farm jobs and by taxpayer funded support programs of \$3.8 billion (Agri-food and Agri-Food Canada 2010 projection).



Realized Net Farm Income from the markets has been *negative* since 2002.

Despite the evidence, the government continues to push for more trade agreements. Canada is negotiating a Canada European Union Trade Agreement (CETA). Farm support programs are averaging down as farmers' gross margins shrink. We need business risk programs that support family farms and cap payments to corporate industrial farms. We need government policies that expand supply management and support sustainable agricultural focused on Canadian markets.

Farmers, speak to your MPs! Show them the evidence that Free Trade is not working for farmers or the Canadian taxpayer.

* For data sources and notes refer to "Free Trade: Comparing 1988 to 2010" document on NFU website.

Visit the NFU's website at: www.nfu.ca

Sources and Notes [1988 source / 2010 source]

Economic Indicators

Exports: Agriculture and Agri-Food Canada (AAFC) Agri-food Trade Service (ATS) / AAFC Medium Term Outlook for Cdn. Agric. Jan. 2010.

Debt: Stats. Can. (Statistics Canada), Cat. # 21-603 / Stats. Can., Cat. # 21-014-X.

Net income: Stats. Can. *Agricultural Economic Statistics*, Cat. # 21-603 / 2010 AAFC Farm Income Forecast April 2010.

Viability of Farms

Farms: Stats. Can., *Census of Agriculture*, No. of farms, 1986 data used for 1988 / *Census of Agriculture*, 2006 (average rate of decline from 2001 Census to 2006 Census used to project 2010 number. Actual rate of decline is probably greater.

Young Farmers: Stats. Can., *Census of Agriculture*, No. of farm operators under 35, 1991 Census used for 1988 / 2010 projection based on 2001 to 2006 Census, rate of decline. Rate of decline is probably greater.

Hog Farmers: Stats. Can., no. of farms reporting hogs-Cat. # 23-603 / Cat. # 23-010-X as of 2010-04-28.

Farmer Product Prices

Hogs: Stats. Can., *Livestock Statistics*, Cat. # 23-603 / Stats. Can. Cat. # 23-010-X, based on March 2010 price.

Slaughter Cows: D1&D2: Canfax Ontario and Alberta annual average / AAFC, Canfax average January-April for 2010.

Feeder Calves: Stats. Can., Cansim 002-00431, Ontario, Sask. and Alberta / Same provinces: average 5-600 calves, Canfax Jan.-June 18 2010 weekly prices.

Corn: Prices are for #2 Canada Eastern yellow corn, cash, in storage, Chatham, Ontario. Obtained on request from AFFC / AAFC Mkts. May Outlook 2010-2011, midpoint range 125-155/t.

Potatoes: Stats. Can. Potato Historical Series / Stat. Can. Cansim. Table 002-0043 Jan.-Mar. 2010 – average commercial price NB. & PEI.

Wheat: Saskatchewan Agriculture and Food, *Stat Facts*, #10.03 / Canadian Wheat Board, CWRS #1 12.5% protein, April 22nd PRO for 2010/2011 crop year. Cash after deduction for elevation, and freight to Vancouver using 2009/2010 crop year deductions.

Retail Product Prices

Stats. Can., *Consumer Prices and Price Indexes*, Cat. # 62-010 / Cat. # 62-001-X, table 326-0012, March 2010 prices.

Farm Input Prices

Fertilizer: Alberta Agriculture and Food, Statistics and Data Development Unit, Alberta Farm Input Prices / March 2010 prices.

Conventional Canola Seed: Treated seed – Alberta Agriculture, Food, and Rural Development, Alberta Farm Input Prices, January 1989 / Average Monthly Prices for March 2010.

Machinery Costs: Statistics Canada Cansim: Agriculture and Agri-Food Canada 10-006-r / same.

Diesel: Average of Alberta and Ontario prices, Alberta Agriculture, Food, and Rural Development, Alberta Farm Input Prices, Ontario – AAFC, Market Commentary: Farm inputs and Finance, December 1988 / Alberta – March price, Ontario Farm Input Monitoring Project for May 12, 2010.

Handling and Elevation: Sask. Ag. and Food, Stats Facts, Canadian Wheat Board Final Price for Wheat, basis in store Saskatoon / same used latest available 2008-2009 number as proxy for 2010.

Freight rates: Sask. Ag. and Food, Stats Facts, #10.03 / Sask. Ag. Stats Fact Sheet: 10.03, 2009.12.29, Canadian Wheat Board Final Price for Wheat, basis in store Saskatoon.

Foreign Corporate Concentration:

Beef Plants: George Morris Centre, *Evolution of the North American Beef Industry*, November 2004, p. 13. See also AAFC, *Implications of Foreign Direct Investment for the Canadian Food and Beverage Manufacturing Industry*, March 1995, p. 23. That paper estimates the 1988 share of meat and poultry products sold "by foreign-controlled firms" at just 1% / Canfax, *2009 Annual Report*, Canadian Fed. inspected plants–slaughter capacity.

Flour Mills: Sosland Publishing Company, *1989 Milling Directory/Buyer's Guide* (November 1988) / Sosland Publishing Company, Grain and Milling Annual 2010.

Malt Plants: Based on several sources, especially AAFC, *Bi-Weekly Bulletin*, July 11, 1997 and June 22, 2006 / CWB.

Breweries: Paul Brent, *Lager Heads*, HarperCollins, 2004 / AAFC website accessed June 2010, The Canadian Brewery Industry.

Dairy: Government of Canada, Co-operatives Secretariat, *Co-operatives in Canada (2003 Data)*, March 2006 / Canadian Dairy Commission website as of June 6, 2010 – 2008 sales figures – source (Food in Canada, September 2009).

Agri-Food Processing

Employment: Available on request from AAFC, based on Stats. Can.'s Labour Force Survey / Same. See also AFFC, A Profile of Employment in the Agri-Food Chain. 2007 data used for percentage change from 1988.

Wages: Collective agreement with Burns Foods Limited, Brandon plant / UFCW Local 832 collective agreement with Maple Leaf Foods Inc. Stats. Can. Consumer Price Index (CPI) used to adjust 1988 dollars to 2010 relative purchasing power.