"Free Trade": Is it working for farmers? *Comparing 2007 to 1988*

October 19, 2007 (This is an expanded and updated version of a report originally published in 2002.)

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

We've had 19 years of "Free Trade." How is it working for farm families and rural communities? To help us find out, the following compares economic indicators from 1988 (the year before we set off down the Free Trade path) with those of 2007. Figures are not adjusted for inflation.

	1988	***2007***
Canadian agri-food exports	***$10.9 billion***	***$32.65 billion***

Canadian farmers have been very successful in increasing exports, in gaining "access" to foreign markets. We've tripled exports since 1988; exports are *seven times* higher than in 1975.

Realized net farm income	***$3.9 billion***	***$1.5 billion***

Despite rising production and exports, net income is down. Like the other numbers in this report, these figures are not adjusted for inflation. If we adjust for inflation, the picture is worse—net farm income is down 77%. But the story gets worse still. Taxpayer-funded farm support payments will total $3.7 billion this year. Thus, farmers' 2007 net income *from the markets*—with the masking effect of publicly-funded support programs subtracted—is projected to be negative $2.2 billion.

Farm debt	***$22.5 billion***	***$54.0 billion***

Farm debt is up 2½-fold since we implemented the Canada-US Free Trade Agreement. Today, interest payments on the debt exceed net farm income. Banks are taking more in interest than farm-family owners are earning in income.

Number of farmers in Canada	***293,089***	***229,373***

During our 19-year Free Trade experiment, a combination of government policies and agribusiness practices have forced nearly a quarter of our farmers off the land.

Number of young farmers in Canada	***77,910*** *(1991 data)*	***29,920***

Corporate and government policies have cut the number of *young* farmers (under 35 years of age) by 62%. This expulsion of young farmers, if not reversed, will push our farms over a demographic cliff; if there are few young farmers, we face a precipitous drop in the number of farms within a generation.

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	1988	2007
Corn: farm price, Ontario.	***$3.28/bushel***	***$4.24/bushel***

Prices are for #2 Canada Eastern yellow corn, loaded on a railcar, Chatham, Ontario. Prices are up 26%, but down 20% when inflation is factored in.

Corn flakes: grocery store price	***$3.70/kg***	***$5.93/kg***

While the price of corn is up 26%, the grocery-store price of corn flakes is up 60%. Seen another way, in 1988, Kellogg's and others were turning 13¢/kg corn into corn flakes that sold in the grocery store for $3.70/kg, with Kellogg's and retailers taking $3.57/kg over and above what they paid farmers. Today, Kellogg's is turning 17¢/kg corn into $5.93/kg corn flakes, and the company and retailers are taking $5.76/kg over and above what they pay farmers. Farmers are making an extra 4¢; Kellogg's et al. are taking an extra $2.00.

Cattle: A1 Steers, Alberta	***80¢/pound***	***$88¢/pound***
Cattle: A1 Steers, Ontario	***87¢/pound***	***$99¢/pound***
Cattle: D1 & D2 Cows, Ontario & Alberta	***59¢/pound***	***$41¢/pound***

Steer prices are up 10%. Adjusted for inflation, they're down 28%. Cow prices are down, inflation-adjusted or -unadjusted. The drive to export has left Canadian farmers dependent on US markets. Between 1988 and 2002, the value of live cattle and beef exports increased 6-fold. But when BSE triggered a border closure, farmers suffered huge losses. For those farmers, Free Trade has brought neither high prices nor dependable markets; it has certainly not brought prosperity.

Steak: sirloin	***$5.04/pound***	***$7.05/pound***
Hamburger: regular	***$1.57/pound***	***$2.68/pound***

While steer prices are up 10%, steak prices are up 40%. And while cow prices are *down* 31%, hamburger prices are up 71%.

Wheat: farm price, Saskatchewan	***$4.93/bushel***	***$6.44/bushel***

Prices are for #1 Canadian Western Red Spring wheat, 12.5% protein, Saskatoon net (freight and elevator tariff subtracted). Though grain prices are surging now, adjusted for inflation, prices are down; the inflation-adjusted 1988 price is $7.93/bushel. Further, input costs have doubled or tripled (see next page).

Bread: grocery store price	***$1.12/loaf***	***$2.07/loaf***

In 1988, Canada had a Two-Price Wheat (TPW) program. That program set a price for wheat used in Canada that was higher (but more stable) than world prices. In '88, Canadian millers were making $1.12/loaf bread out of $7.00/bushel wheat (the domestic price under the TPW program). Today, they make $2.07/loaf bread out of wheat that is approximately the same $7.00 price. The TPW program put thousands of dollars per year into the pocket of an average-size wheat producer. Bread price data indicate that the program cost consumers nothing (when millers were paying more, under the TPW program, bread prices were *lower*). The TPW program was cancelled in 1988 in anticipation that it would violate the then-pending Canada-US Free Trade Agreement.

Potatoes: farm price, Canada average	***8¢/pound***	***9¢/pound***

Down 30%, when inflation is factored in.

Frozen French fries: grocery store price	***83¢/pound***	***91¢/pound***

As with other combinations of farmgate foodstuffs and grocery store products, processing potatoes into French fries is a game of selling for a dollar what processors buy for a dime.

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	1988	2007
Fertilizer: nitrogen (anhydrous ammonia)	***$383/tonne***	***$958/tonne***
Fertilizer: nitrogen (46-0-0 granular)	***$244/tonne***	***$607/tonne***
Fertilizer: phosphate (11-51-0 granular)	***$360/tonne***	***$622/tonne***

Trade agreements and globalization have facilitated and triggered waves of agribusiness mergers. These mergers have decreased competition between the dominant corporations and, thus, increased their market power. Also adding to their market power, North America's dominant fertilizer companies have grown exponentially. Terra, Agrium, and Potash Corporation of Saskatchewan are all more than ten times larger than they were in 1988. Potash Corp. is *15 times* larger. IMC Global and Cargill merged their fertilizer operations in 2004 to form Mosaic.

	1988	2007
Diesel fuel: Alberta	***25.0¢/litre***	***71.97¢/litre***
Diesel fuel: Ontario	***28.4¢/litre***	***82.0¢/litre***

Since the launch of the Free Trade era, Canadian farmers' energy costs have nearly tripled. Canada's leading fuel refiners/retailers—Shell Canada, Petro-Canada, and Imperial Oil—recorded record profits in 2004, 2005, 2006, and (probably) 2007. Over this same period, farmers racked up record losses. Exxon owns 69.6% of Imperial Oil shares. Royal Dutch Shell owns 100% of Shell Canada—recently purchasing the 22% it previously did not own. Petro-Canada is a widely-held, publicly-traded corporation (the Canadian government removed foreign-ownership restrictions on Petro-Canada in 2001 and sold its remaining 20% stake in 2004).

	1988	2007
Freight rates : wheat, western Canada	***$6.23/tonne***	***$39.22/tonne***

When Ottawa took away the Crow Benefit grain transportation subsidy in 1995, it pointed to the need to comply with the then-new World Trade Organization (WTO) Agreement on Agriculture.

	1988	2007
Handling & elevation: wheat, western Can.	***$7.94/tonne***	***$17.79/tonne***

In 1988, western Canada had 1,770 country elevators conveniently distributed in communities throughout the agricultural region. Today, just 337 remain. Despite dramatic consolidation (reducing the number of elevators by four-fifths) and despite promises that farmers would benefit from "efficiencies" and lower costs, grain company executives have instead doubled their companies' handling and elevation charges—raising them far faster than inflation. Taken together, grain company and railway charges cost farmers $1.60/bushel today, up from 39¢/bushel in 1988.

	1988	2007
Seed: canola, conventional, treated	***$42.70/bushel***	***$237.47/bushel***
Seed: canola, GM herb. tolerant, treated	***n/a***	***$273.99/bushel plus TUA***

In addition to the export push, the past 19 years have been a time of deregulation and privatization. Until the 1980s, plant-breeding and seed development in Canada were publicly funded (corn seed was one of few exceptions). Seed, gene, and chemical companies pushed governments to transform our seed system into a private, for-profit venture, funded by farmers. This privatization, coupled with corporate consolidation, multiplied farmers' seed costs. Assuming farmers plant canola at 5 pounds/acre, their seed cost in 1988, for conventional canola, would have been about $4/acre. Today, conventional canola seed costs nearly $24/acre. With a Technology Use Agreement (TUA) fee of $15/acre included, farmers' cost for genetically-modified (GM) herbicide-tolerant (HT) canola seed is about $42/acre. Corn seed prices have similarly jumped—Ontario farmers are looking at nearly $100/acre for some GM varieties. Finally, while canola seed prices have jumped 5- to 10-fold, the price of wheat seed—still developed primarily by the public sector—has only doubled.

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	1988	2007
Grain handling: # of farmer-owned co-ops	***4***	***0***

In 1988, 4 farmer-owned co-operatives handled the vast majority of western grain (Alberta Wheat Pool, Saskatchewan Wheat Pool, Manitoba Pool Elevators, and United Grain Growers). Today, Viterra (the corporate successor of those 4 privatized co-ops), Pioneer, and Cargill control two-thirds of western grain-handling capacity.

	1988	2007
Dairy: % processed by farmer co-ops	***66%***	***39%***

Large corporations are consuming our farmer-owned dairy co-ops. Saputo Inc. (Quebec-based; $2.8 billion annual revenues) took over Dairyworld Co-op in 2001. Parmalat (Italian-based; approx. $4.1 billion annual revenues) is another major corporate player. The three largest processors handle 75% of Canada's milk, and only one is a co-op—Agropur/Gay Lea.

	1988	2007
Flour mills: Canadian ownership	***50% of cap.***	***28% of cap.***

One US-based transnational, Archer Daniels Midland (ADM), owns 42% of Canadian flour milling capacity. Another, Cargill, recently bought Robin Hood mills and now owns 21% of Canadian capacity. ADM and Cargill owned 0% before the Canada-US Free Trade Agreement.

	1988	2007
Beef packing plants: Canadian ownership	***100% of cap.***	***<30% of cap.***

As with our flour mills, the US takeover of our beef packing sector coincides with Free Trade. In 1989, Cargill built a beef packing plant in Alberta. IBP/Tyson followed. Prior to the Free Trade Agreement, the Canadian beef packing industry was virtually 100% Canadian owned.

	1988	2007
Malt plants: Canadian ownership	***95% of cap.***	***10% of cap.***

Canada's malt capacity is predominantly owned by foreign-based transnationals such as Tiger Oats (South Africa), Cargill, and Rahr Malting. Viterra (Sask. Wheat Pool) owns half of the Prairie Malt plant in Biggar, Sask. This is the only significant Canadian ownership.

	1988	2007
Breweries: Canadian ownership	***95% of cap.***	***10% of cap.***

Pre-1989 brewing industry regulation provides an example of how to manage trade to create jobs, support domestic ownership, decentralize production, and minimize transport, all the while keeping international borders open. Before Free Trade, any company could sell beer in a province, so long as the beer was brewed there. Provincial laws stopped beer from crossing borders. Thus, pre-Free-Trade beer labels proudly proclaimed, for example: "*Molson Breweries Canada Ltd. Montreal, St. John's, Toronto, Barrie, Winnipeg, Regina, Prince Albert, Edmonton, Vancouver; Union Made*." Our breweries were Canadian, they created jobs, and beer was affordable. Today, global giant InBev owns Labatt's, and Carling and Molson's have disappeared into Coors-dominated Molson-Coors.

	1988	2007
Number of major machinery companies	***6***	***3***

In 1988, a Canadian farmer could buy a medium-sized tractor from Ford/Versatile, White, Massey Ferguson, Case IH, John Deere, or Deutz/Allis Chalmers. Today, CNH (an amalgam of Case, International Harvester, Ford, NewHolland, Steiger, and others) and John Deere dominate major machinery sales with annual revenues of $12 billion and $22 billion respectively. AGCO (Massey Ferguson, Heston, Gleaner, White) has sales of $5.4 billion annually.

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Hog farming and pork production: A case study

Canada's hog and pork sectors provide clear case studies for the effects of Free Trade and an increased focus on export production—a "fast-forward" view of food system globalization and corporatization. Over the past two decades, the system that turns feedgrains into hogs into grocery-store pork chops and bacon has been rapidly, and often ruthlessly, transformed. Gone are the small- and medium-sized family farm producers and many of the local packing plants. In the wake of the Free Trade agreements, Canada set out to transform itself into a global pork powerhouse; the results are illuminating.

	1988	***2007***
Number of hog farmers	***33,760***	***10,810***

Of the farms that were raising hogs in 1988, corporate and government policies have since forced 68% out of production—Statistics Canada lists 10,810 farms "reporting pigs" in July 2007. But even this 68% decline dramatically understates losses in the hog production sector. Today, unlike in the 1960s, '70s, or early '80s, a few dozen very large hog producers produce 80% of Canada's hogs—the five largest produce nearly one-fifth of Canadian pigs.

	1988	***2007***
Pork chops: grocery store price, Canada avg.	***$6.88/kg***	***$9.52/kg***

Canadians are told that fewer and larger farms will result in "higher efficiency." The benefits of that efficiency are elusive, however. While corporate and government policies have reduced the number of hog farmers by more than two-thirds, packers and retailers have increased grocery-store pork chop prices by 38%.

	1988	***2007***
Hogs: farm price, Ontario	***$1.45/kg***	***$1.38/kg***

While grocery-store pork chop prices are up 38%, farmers' pig prices are *down* 5%. Seen another way, while hog farmers are still receiving more-or-less the same $1.40/kg, packers and retailers have increased their *margin* (the difference between the price they pay to farmers for hogs and the price they charge consumers for pork chops) by $2.64/kg. (See pork chop price, previous section.)

	1988	***2007***
Packing plant pay, Manitoba *(starting wage)*	***$9.38/hour***	***$11.65/hour***

When adjusted for inflation, starting wages at many plants are down sharply—earning $9.38/hour in 1988 is equivalent to earning $15.08 today. Packers are using their growing market power to push up prices to consumers, push down prices to farmers, and push down wages for workers. In the wake of NAFTA, packers have argued that Canadian wages must be competitive with U.S. wages. US wages, in turn, must be competitive with Mexican wages. Some Canadian packers, unable to attract workers, are bringing in workers from Mexico, Central America, and elsewhere.

	1988	***2007***
Employment in agri-food processing	***277,300 jobs***	***255,700 jobs***

Politicians said Free Trade would create jobs in value-added food processing. Rapidly increasing imports of processed food from low-wage countries indicates the opposite is true. Free Trade has been as much a bust for workers and rural communities as it has for farmers.

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Sources and Notes [1988 source / 2007 source]

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Why isn't Free Trade working for farmers?

Farmers have doubled and re-doubled exports, adopted new technologies, switched to high-value crops, and poured billions of dollars of investments into our farms. At the initiative of our governments, we've become signatories to trade agreements. Farmers did everything Free Trade and globalization advocates recommended. And the result is the worst farm income crisis since the 1930s.

Question: Why hasn't Free Trade yielded the predicted benefits for farmers and rural communities?

Answer: These agreements don't just shift trade flows, they shift power.

For farmers, so-called "Free Trade" agreements do two things simultaneously:

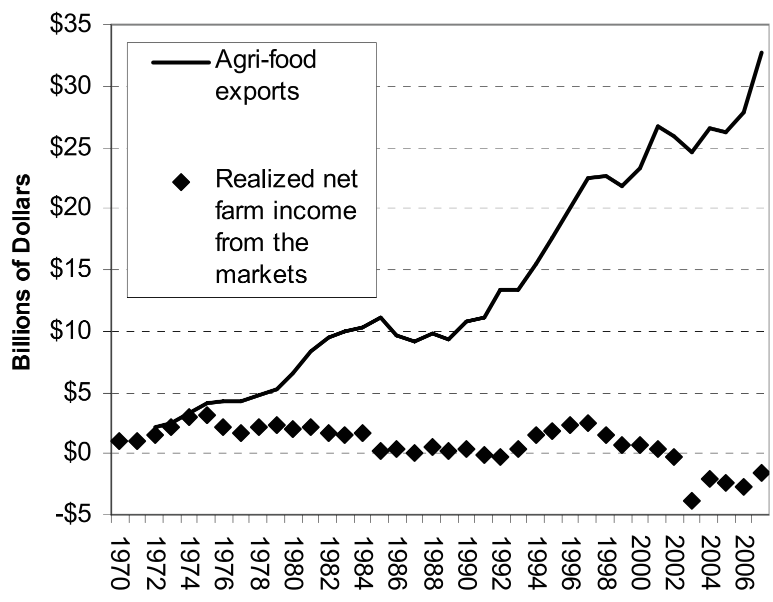
- By removing tariffs, quotas, and duties, these agreements erase the economic borders between nations and force the world's one billion farmers into a single, hyper-competitive market.
- At the same time, these agreements facilitate waves of agribusiness mergers that nearly eliminate competition for these corporations.

Economists agree: when competition increases—as it has for farmers—prices and profits decrease. And when competition decreases—as for agribusiness corporations—prices and profits *increase*. Thus, trade agreements and globalization predictably decrease farmers' prices and profits and increase prices and profits for the dominant agribusiness corporations.

"Free Trade" agreements may increase trade but, much more importantly, they dramatically alter the relative size and market power of the players in the agri-food production chain. For farmers and their net incomes, increased exports may be one of the *least significant* effects of trade agreements and globalization. Much more significant—perhaps completely overwhelming any potential benefits from increased exports—may be the effect these agreements have on the balance of market power between farmers and agribusiness corporations, because this balance of market power determines the distribution of profits within the agri-food production chain. Profits are not made, they're taken.

This graph shows that farmers have not benefited from Free Trade or rising exports. Despite such evidence, the federal government continues to push for a new World Trade Organization (WTO) agreement that will, it says, help end the farm crisis. The government also wants to expand NAFTA to the tip of South America with the "Free Trade Area of the Americas" (FTAA). **Help reverse this destructive course. Help the NFU get the message to Ottawa: "Free Trade helps Cargill and Monsanto, not farmers."**

Canadian agri-food exports and Realized Net Farm Income from the markets: 1970-2007



Sources: Stats. Can., *Agricultural Economic Statistics*; Agri-food Trade Service, International Markets Bureau

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The National Farmers Union

The NFU speaks for family farmers and rural and urban citizens who want to build a better food system.

When other organizations are talking about farmers' corporate "partners" and getting along in the agri-food "industry," the NFU is clear: the interests of farmers, rural communities, and Canadian families are often very different from those of Monsanto, Cargill, Agrium, and John Deere. Government policies must rebalance power and profits within the food system. And they must create a more sustainable food system.

The preceding analysis of the effects of Free Trade on farmers and communities is just one example of our work on behalf of Canadians. We hope you find this work of value. If you do, please join the NFU.

Farm families can become members of the NFU by paying $150/year.

Non-farming Canadians can become part of a progressive movement to build a better food system by paying $50/year to become an Associate Member.

There are three easy ways you can join:

1. Phone (306) 652-9465 and ask to join. You can pay by credit card or send in a cheque later.

2. Send your name, address, phone number, and a cheque to:
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   We will phone you to get additional details later.

3. Go to www.nfu.ca and sign up online.

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Rural and urban Canadians, by working together, can build a better and more sustainable food system.

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