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**national farmers union**  
*In Union Is Strength*

**FOR IMMEDIATE RELEASE**

**FEBRUARY 6, 2004**

**THE MOST SPECTACULAR MARKET FAILURE IN CANADIAN AG. HISTORY**

**SASKATOON, Sask.**—Today, the federal government estimated Canadian realized net farm income for 2003 at *negative* \$13 million—the lowest level ever recorded, far lower than during the Depression. Realized net farm income from the markets alone, net of government payments, is almost *negative* \$5 billion. “This is the most spectacular and damaging market failure in the history of Canadian agriculture,” said NFU President Stewart Wells.

Wells disputed the official explanation that the crash is caused by BSE, drought, and a rising Canadian dollar. “Adjusted for inflation, farmers’ gross revenues are at their third highest level in the past twenty years. Adjusted for inflation, our gross revenues are far above their 1990s levels,” said Wells.

He also pointed out that while a rising dollar reduced some commodity prices, those losses should have been at least partly offset by the dollar’s effect in lowering some input costs.

Although cattle farmers faced low prices, and many held cattle back from markets, livestock receipts were not that much different than those in 1999, even when adjusted for inflation. “There can be no disputing that family farm cattle producers have been hard hit, but BSE and a \$2 billion drop in livestock receipts cannot explain realized net incomes from the markets alone of *negative* \$5 billion,” said Wells. He continued: “This wreck is not just the result of a failure to produce, an inability to sell, or of currency fluctuations,” said Wells.

Wells said that the net income wreck is the culmination of two decades of destructive government and corporate policies. “Our federal government pursued free trade, free market, and deregulation policies while our corporate buyers and suppliers were busy merging to increase their power and reduce their competition. While governments talked about free markets, farmers increasingly faced near monopolies. What did governments think would happen?” asked Wells.

Beginning in the later 1980s Canadian realized net income from the market alone fell to zero and below. (see background) “BSE, drought, and the dollar merely aggravated an extremely desperate situation,” said Wells.

He concluded: “The government took away our hog marketing agencies, cut the Crow, ended the two-price wheat program, deregulated grain handling and transportation, presided over the destruction of our co-ops, and tied their own hands with trade and investment agreements. At the same time, transnational corporations merged until there was often just three or four of them left controlling each link in the agri-food chain. These corporate and government policies pushed family farmers to the edge of a cliff. In 2003, we fell off.”

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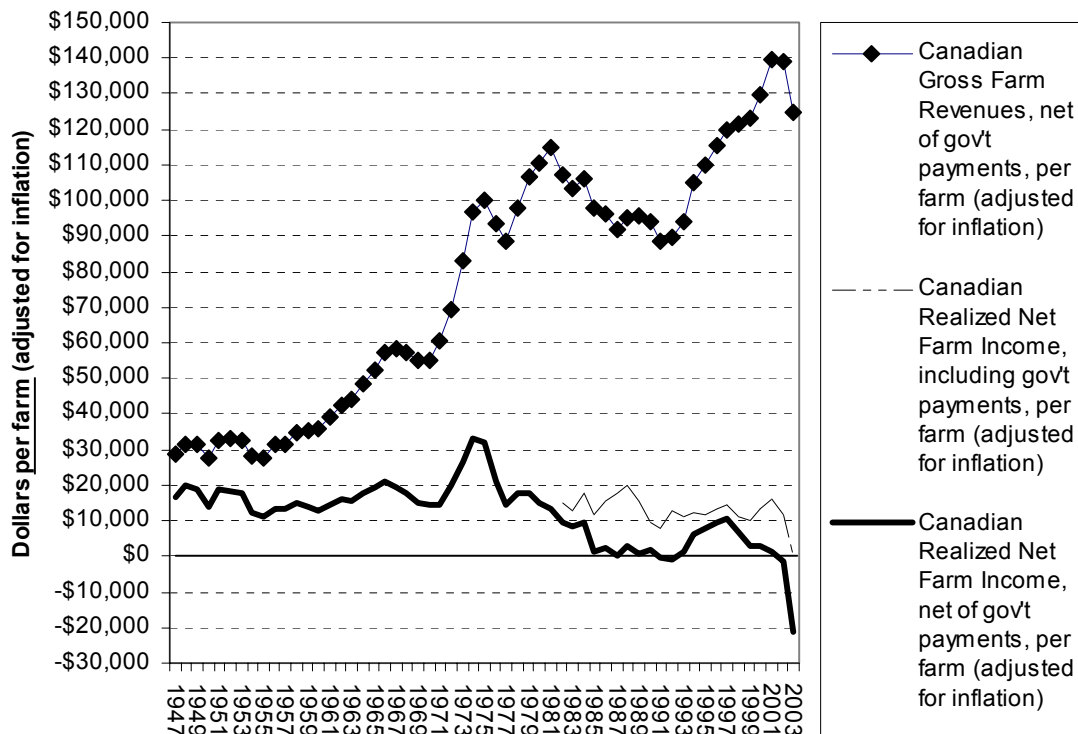
## Backgrounder to the NFU's February 6, 2004 news release

The graph below shows Canadian gross income, realized net income, and realized net income from the markets alone, on a per-farm basis, adjusted for inflation, 1947 to 2003.

While realized net income from the markets alone, net of government subsidies (heavy black line) fluctuated between \$10,000 and \$20,000 per farm from the late 1940s until the mid-1980s, it then fell to near zero. Net income from the markets alone recovered somewhat in the mid-1990s, but fell back toward zero in recent years.

For 2003, realized net income from the markets alone will be *negative* \$20,000 per farm—a figure never before seen in Canadian history.

**Gross and net income, per farm, adjusted for inflation: 1947-2003**



The distance between the top and bottom lines in the graph above—the difference between “gross” and “net”—is equal to the amount of money that the average farmer pays to input manufacturers. Farmers are producing more but input manufacturers are taking more, leaving farmers with less.

Realized net income is not the same as profit: realized net income is calculated before any allowance is made for labour and management contributions of farm family members.