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April 23, 2002

An open letter to:

The Honourable Lyle Vanclief  
Minister of Agriculture and Agri-Food  
House of Commons  
Ottawa, Ont.  
K1A 0A6

**VIA FAX: (613) 759-1081**

**Attention media:**

NFU Executive member Jan Slomp will meet Minister Vanclief in Edmonton, April 24, as part of round-table consultations with farm orgs. and agri-businesses.

Women's President Shannon Storey will meet with Vanclief in Toronto, April 25.

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Dear Minister Vanclief:

In the midst of the worst farm income crisis since the 1930s—as family farmers are driven off the land and rural communities die and foreign transnationals take over local companies and co-operatives—your government has stated its intention to redesign and integrate many aspects of Canadian farm, food, and environmental policy. Farmers across Canada, as well as all Canadians who care about safe food and a healthy environment, hope that you are serious in your commitment to real change. All Canadians hope that you are serious in your commitment to *real* measures that will support Canada's farm families, retain vital economic sectors, protect our natural environment, and ensure health-giving food for all.

But farmers are not optimistic. We have watched your government and its predecessors bring forward a long string of policies that have devastated family farm agriculture, policies that have led to: a seven-fold increase in western farmers' freight rates; the corporate takeover of Canadian hog production and the expulsion of up to half of our family farm hog producers; the takeover of Canada's food processing sectors by foreign transnationals; the corporate takeover of our farmer-owned co-ops; the scorched-earth destruction of our grain handling and transportation system; patented, genetically-modified (GM) crops that swell corporate coffers and threaten our markets and the environment; dramatically-reduced government support for agriculture; and an ill-conceived federal government commitment to deregulation and to turning farm families over to "the market." Agriculture policies over the past two decades have made Canada a world-leader in the expulsion of farmers and the destruction of communities and infrastructure.

Government policies of the past two decades have also led to the lowest net farm incomes in the past 70 years: and some of the highest corporate profits. In light of this mass of damaging policy, farmers justifiably fear that your proposed integrated Agricultural Policy

Framework (APF) will be simply the same old programs and policy directions cobbled together and covered with the new cloth of “food safety” and “environmental protection.” Or worse, farmers fear that the APF may be the final stage in a progression of Canadian agricultural policies that seem destined (or designed) to destroy family farms and to transfer control of Canadian food production—and all the profits from it—to foreign transnational corporations.

The NFU has long advocated an integrated, predictable “farm bill” and food policy for Canada. Thus, we would support any real commitment to unify and enhance Canadian policy and to support family farms. Is your proposed APF such a commitment? The NFU welcomes this opportunity to provide the views of farmers on the project of reforming Canada’s agriculture, food, and environmental policies. Although only the general shape of your integrated Framework is known, I think that we can comment on the principles and policy directions that should be included.

## **1. Support family farms**

### **a . Federal spending must be targeted**

Public money must be used for public purposes. Canadian citizens—whose taxes pay for farm programs—believe that their money will help maximize the number of farm families left on the land when the farm crisis abates. Actual farm support programs should use that tax money for the purposes that citizens intend. To this end, farm support programs must be targeted and capped and designed to retain the maximum number of farm families on the land. This is not the case today.

### **b. Support programs must be based on farmers’ costs of production**

No family can continue farming unless it recovers its costs. Canada and its farmers have made Herculean efforts to survive the current incarnation of the farm crisis. We have doubled exports and doubled them again, embraced new technologies, invested billions in new capital, switched to high-value crops and exotic livestock. Despite this investment and adaptation many farmers cannot cover their costs.

Inefficiency is not the problem. Farmers today produce hogs and wheat and cattle for the same prices they received in the mid-1970s. Can Ford produce cars or Nike produce shoes or Levis produce blue-jeans for 1970s prices? Can politicians make politics or economists make economics for 1970s wages? To suggest that the cause of the farm crisis is “inefficiency” is to stand reality on its head. No other sector can match the efficiency of farmers.

Farmers, through no fault of their own, are denied a positive return for their labour and investment. To retain family farms and safeguard and stabilize this country’s vital food production system, the federal government must ensure that farmers receive their costs of production. This principle should be the basis of any new agricultural policy framework.

### **c. Federal spending must be adequate**

Adjusted for inflation, federal government “spending in support of agriculture” for 2001/02 is the third-lowest in the past 17 years. This low level comes despite a grinding income crisis, weather-related production losses, and rising farm support levels in the U.S. Federal government spending is inadequate to meet current needs, and it will be inadequate to form the basis of any new, effective integrated policy framework.

If the government does not increase its spending, the proposed APF will fail farmers. It may fail them in new ways, and it may fail them while claiming to enhance food safety and the environment, but it will fail. The NFU urges the federal government to stabilize federal “spending in support of agriculture” at at least \$4.5 billion per year—matching federal spending levels in the second half of the 1980s (unadjusted for inflation). Because federal spending in the current year is set for \$3.3 billion, and because immediate need is so great, the NFU recommends that you bring forward at least \$1.2 billion in immediate bridge funding for farm families struggling to seed this year’s crop. We are heartened to see recent estimates that place the federal surplus for this year between \$10 billion and \$15 billion.

## **2. Food safety and GM crops**

Many Canadians, including many scientists, believe that genetically-modified (GM) foods are not adequately tested and that their safety is unknown. Many others believe that GM foods are *unsafe*. Further, consumers see no benefits from GM foods. For consumers, one of the most effective ways to increase the real or perceived safety of our food supply would be to remove all GM ingredients.

Similarly, a growing number of farmers believe that they are receiving no benefits from GM crops. Moreover, GM wheat and other new GM crops threaten to alienate our valued foreign customers and drive our prices *down*. It is ironic that after decades of telling farmers to pay attention to “market signals” and to “give customers what they want” that the government would consider introducing GM wheat. GM wheat will hurt all farmers.

Worse still, GM wheat and other GM crops that may soon follow threaten to make organic production very risky and difficult, or impossible—robbing Canadian farmers and consumers of the opportunity to grow and eat organic food.

The federal government’s continued commitment to promoting GM crops and to fast-tracking their introduction is inconsistent with any real change in policy direction on food safety. Public skepticism regarding your government’s commitment to food safety will be reinforced if the expansion of GM crop production makes organic farming impossible.

GM wheat, soybeans, corn, potatoes, and other GM crops on the horizon worry consumers and threaten organic production. If a new integrated Framework retains federal support for

GM crops and research, Canadians will correctly see the new Framework as an attempt to whitewash, and not to redesign, our farm and food policies. We urge you to heed the wishes of Canadian farmers and consumers and halt the introduction of GM wheat. The NFU urges you to remove all GM crops from Canadian foods and fields.

### **3. Protect the environment**

The industrialization of agriculture is damaging our environment. Intensive livestock operations, typified by huge corporate hog mega-barns, provide the most visible examples of these problems. Hog mega-barns have polluted entire river-systems in the U.S. Many states will no longer allow a single new mega-barn to be built. One industry journal reports that it is now very difficult to get approval to build a mega-barn anywhere in the U.S., so corporations are looking to Canada and Mexico [*Successful Farming*, September 2001]. In spite of the clear failure of this industrial production model in the U.S., Canada is aggressively encouraging the construction of these facilities.

Mega-barns put millions of gallons of liquid manure into dirt pits, threatening both ground- and surface-water. Canadians cannot take seriously a government commitment to improved agricultural environmental stewardship while we are building low-tech, polluting food factories. Pollution from corporate mega-barns across North America is undermining the public's trust in farmers as stewards of the land and environment. As trust erodes, family farmers will face increased regulation and reporting requirements.

Further, environmental and food safety costs must not be back-loaded onto farmers already struggling to meet existing costs. The agricultural-related environmental threats in Canada—GM wheat, corporate mega-barns, fertilizer and chemical run-off—are part and parcel of the industrialization, corporatization, expansion, and intensification of agriculture. These trends have been promoted and driven by government and agri-business, and *opposed* by many family farmers. It will be a cruel irony if farmers are now forced to pay the bill to mitigate the environmentally-damaging effects of this corporate-government policy.

The NFU urges the federal government to build on Canada's reputation as a pristine environment and to follow a different path in livestock and crop production—one that is sustainable and environment-enhancing.

### **4. Stop corporate takeover**

Transnational corporations are taking control of key food processing sectors and destroying farmer-owned co-operatives. In 1988, four farmer-owned co-ops controlled western grain collection—United Grain Growers and the Sask., Man., and Alta. Pools. Today, there are no farmer-owned co-ops, and Cargill and Archer Daniels Midland are gaining increasing control. In 1988, farmer-owned dairy co-ops processed 60% of Canadian milk. Today, they process just 35%. In 1988, 50% of our flour-milling capacity was Canadian-owned. Today, just 19% is. Over the same period, Canadian ownership of our malt plants has

dropped from 95% to less than 10%. Minister Vanclief, huge foreign transnationals are seizing control of Canada's food processing companies and co-operatives, and your government is presiding over that takeover.

The NFU urges your government to stop the corporate takeover of remaining farmer-owned co-operatives. Further, the NFU urges you to aggressively support—through improved legislation and financial incentives—the creation of new farmer-owned co-operatives to collect and transport grain, process livestock and grain, and to produce and sell agricultural inputs. Farmer-ownership and participation, through co-operatives, in other parts of the agri-food chain is essential to the survival of the family farm.

## **5. Control corporate power**

Family farms exist within an agri-food chain. That chain begins with the oil and gas companies at one end; proceeds through fertilizer, seed, chemical, and machinery companies; includes farmers in the middle; and proceeds through grain companies, processors, packers, retailers, and restaurants on its way to consumers. Even as we endure a grinding farm income crisis, the corporations that dominate every other link of the global agri-food chain enjoy healthy profits. The dominant agri-business corporations earn double and triple digit returns on equity, while farmers face huge losses. Canadian family farms are starving financially amid a global agri-food chain awash in billions in profits.

As the transnationals that dominate the other links in the chain merge, they increase their size and reduce their competition. This dramatically increases their market power and allows them to increase their profits, often at the expense of farmers who face real competition and who are only one-millionth the size of the largest transnationals. The current farm income crisis is caused by a dramatic and rapidly-growing imbalance in market power.

Examples of the effects of market power include: In the mid-1990s, grain prices nearly doubled (#1 HRS wheat, Saskatoon net, went from \$3.08 per bushel in 1991/92 to \$5.71 in 1995/96). The price of fertilizer, however, tracked these grain price increases almost perfectly, extracting from farmers the lion's share of the increased revenues. To give another example: In 1998 and '99, hog prices fell to nearly zero. Over that period, however, retail prices remained nearly unchanged and packers recorded record profits. Finally, in the 1970s, millers, bakers, and retailers took 38¢ out of the retail price of a loaf of bread and left farmers a nickel. Now they take \$1.31 and leave that same nickel. Farmers are making too little because others are taking too much.

Government is beginning to recognize the problem of corporate concentration and lack of competition. Agriculture and Agri-Food Canada's *Medium Term Policy Baseline*, states:

Many parts of the agri-food sector are experiencing an accelerated rate of industry concentration, throughout the food chain. This global phenomenon is raising concerns over market power. It has reached such a

level . . . that some players wonder whether the market power that may be the outcome may be partially responsible for the farm income crisis.

And in its interim report, the Prime Minister's Caucus Task Force on Future Opportunities in Farming states:

Concentration within the agricultural and agri-food industry has occurred worldwide and has jeopardized the financial viability of farmers. . . . A limited number of multinational corporations now dominate the industry, from farm chemicals and machinery to primary production to food processing to grocery retail.

We are very pleased with the government's growing awareness of this issue, because any solution to the farm crisis must begin with an accurate description of its causes. If it willfully misunderstands the problem, the federal government will fail to craft the correct solutions and will fail to save Canada's family farms or to restructure Canadian policy in the public interest.

The NFU urges the federal government to acknowledge and control corporate concentration and market power and to maintain adequate levels of competition in agri-food sectors. We urge you to ban corporate agriculture and corporate production of livestock and to place very strict controls on vertical integration, including contracting which, in many sectors, amounts to de facto vertical integration.

## **6. Trade agreements**

Canadian agri-food exports have almost tripled since we signed our first major trade and investment agreement in 1988—the Canada-U.S. Trade Agreement (CUSTA). Over this same time period, however, realized net farm income has remained virtually unchanged (falling sharply when adjusted for inflation) and farm debt has doubled. Farmgate prices for most grains, livestock, and other farm products are down, even as grocery-store prices are up sharply. As noted above, “Free trade” has spurred the foreign takeover of Canadian companies and co-operatives. Our supply management systems and orderly marketing agencies are under attack, with the Canadian Wheat Board about to face its tenth attack since 1990. Rather than preventing trade challenges, the U.S. and others are using trade agreements to facilitate trade harassment.

Are farmers better off than they were in 1988 and before? Are we better off than in the pre-free-trade 1960s, '70s, or '80s? Are there more farmers now, more people living in towns, or more optimism in rural areas? Have any of the rosy predictions regarding benefits to farmers from “free trade” come true?

The NFU urges the government of Canada to abandon its almost single-minded focus on export expansion as the basis of its agricultural policy. We urge you to work to remove

food from the WTO agreement. And we urge you to work to insert, into all trade agreements, a mechanism that will stop trade harassment.

## **7. Supply management**

In a troubled Canadian farm landscape, at least one bright spot remains: our supply management sectors for dairy, poultry, and egg production. By limiting supply, focusing on the stable Canadian domestic market, and working with government to ensure that farmers receive prices that cover their costs of production, dairy, poultry, and egg farmers have weathered the current farm income crisis relatively unscathed.

However, the World Trade Organization (WTO) agreement and similar agreements threaten our supply management systems. The federal government must take extraordinary measures to ensure that Canada's supply management and orderly marketing agencies are not damaged by trade agreements. While farmers have seen little or no benefit from the trade agreements' increased "market access," farmers have reaped real benefits from supply management. It would be folly to sacrifice the latter to gain more of the former.

## **Conclusion**

The National Farmers Union is heartened that the Canadian government has recognized the need to improve on current agricultural policies and to integrate food safety and environmental sustainability. The potential for positive effects from *real changes* are enormous. The NFU urges you to undertake those real changes, to move in a fundamentally new direction, to take seriously a commitment to sustaining family farms and the environment, and to providing a secure supply of healthful food for all Canadians. We hope that the federal government does not shrink from these tasks.

I thank you for this opportunity to provide the views of farm families to government. We look forward to meeting with you and to working with you in this important effort to frame a new food and agriculture policy for farmers and all Canadians.

Sincerely,

Stewart Wells  
President  
National Farmers Union

cc: Selected media