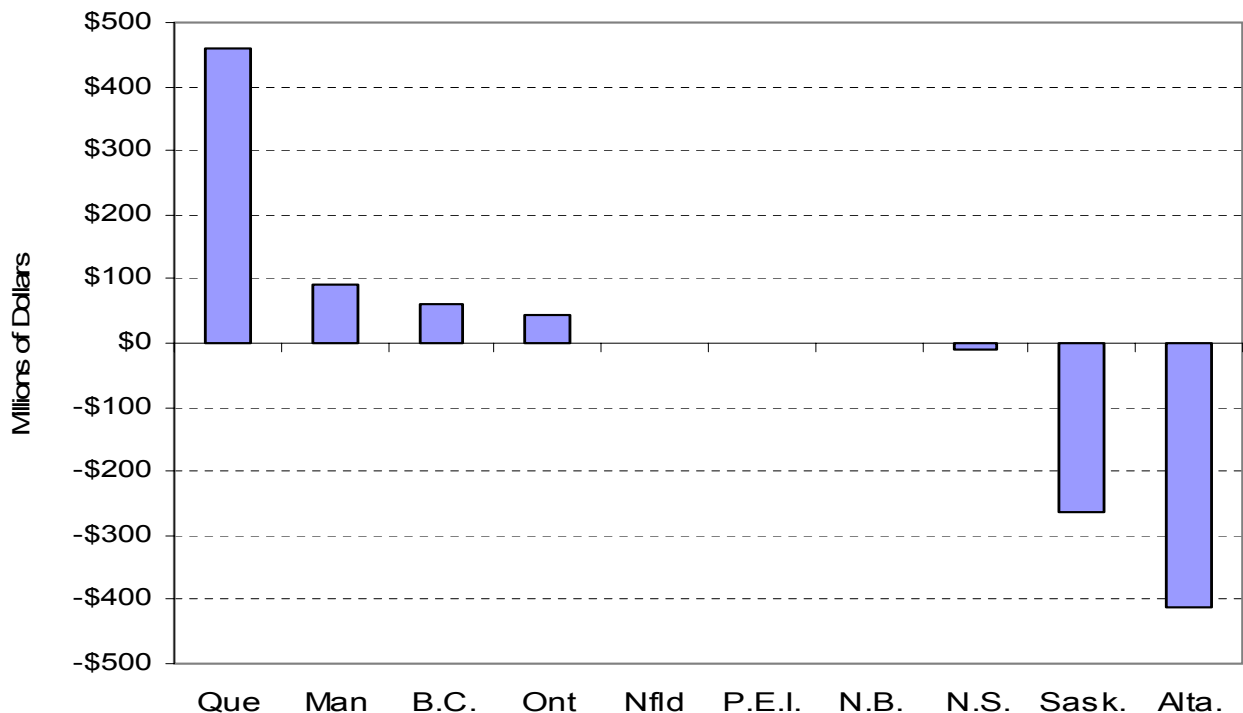


## *National Farmers Union Day of Action at the Alberta Legislature Thursday, December 16, 2004*

The National Farmers Union (NFU) is an organization made up of thousands of farm families across Canada. Since its formation in 1969, the NFU has always worked to achieve economic equality for farm families and rural communities. We believe that the family farm should remain the foundation for a healthy, environmentally-sustainable food production system.

In Alberta, many of our members have been raising crops and livestock for years. Through thick and thin, through times of brief prosperity as well as times of low prices and bad weather, farmers have continued to provide the backbone of Alberta's economy. This is one of the richest agricultural regions of the country, but the wealth that is produced in rural communities is siphoned off, through unequal market relations, to the benefit of others. Over the past twenty years, Albertans have seen the ownership of our agricultural resources become concentrated in fewer and fewer hands. We have also witnessed a corresponding acceleration in the pace of rural depopulation.

Albertans are poised to celebrate the 100<sup>th</sup> anniversary of the founding of their province. But the promises of 1905 remain unfulfilled. Despite record amounts of oil royalties flowing into the provincial treasury, there is a serious cash drought in Alberta's rural communities.

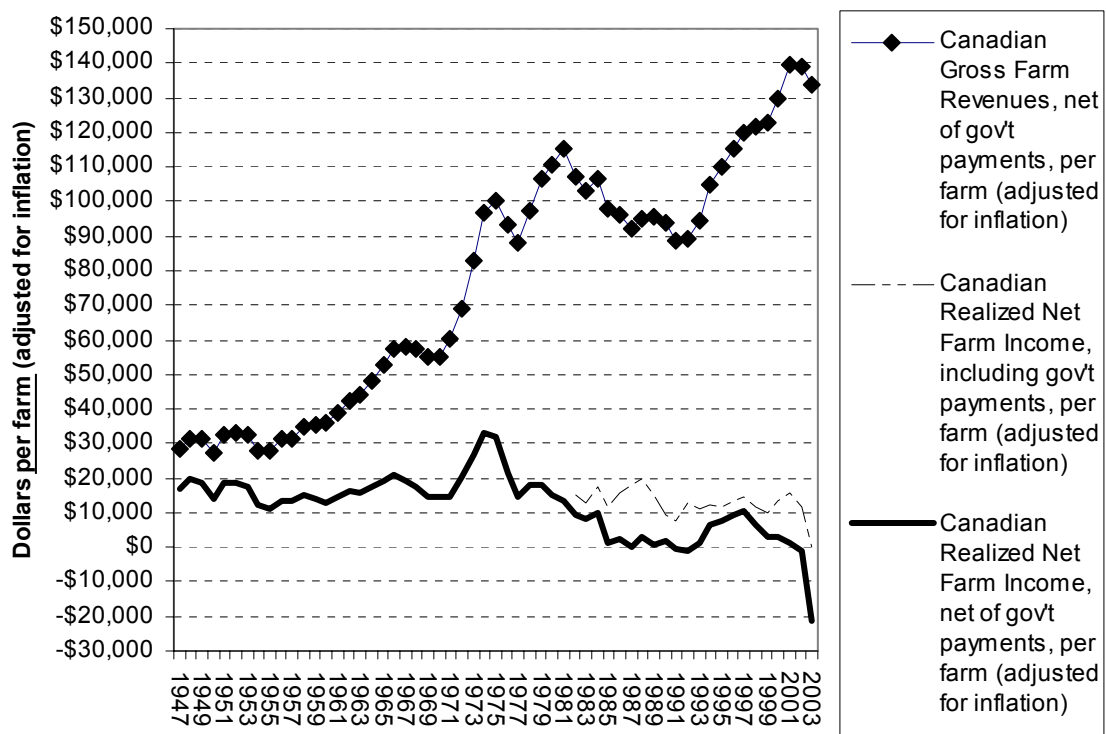


In 2003, Alberta recorded the lowest net farm income of any province in Canada. Alberta's realized net farm income last year was negative \$412 million<sup>1</sup>. By comparison, Saskatchewan's

<sup>1</sup> Statistics Canada, "Net Farm Income 2003 (Revised), Thursday, November 25, 2004.

realized net farm income was \$148 million higher at negative \$264 million. Even Prince Edward Island farmers did better – they recorded a realized net farm income in 2003 of absolutely zero!<sup>2</sup> Quebec had the best net farm income, not because of government subsidies, but because farmers in that province received more for their products from the marketplace itself. Quebec’s production is geared to the domestic market. Alberta is highly dependent on export markets.

This dismal picture cannot be attributed solely to the closed border, drought, or the BSE crisis. It is not a temporary aberration. In fact, this is a trend that has been going on for decades. Despite rising gross farm revenues, realized net farm incomes in Canada continue to decline. Canadian average net farm income in 2003 was negative \$20,000 per farm!<sup>3</sup> As the following graph illustrates, gross revenue for farmers has climbed rapidly since the 1970s, but realized net farm income has steadily fallen. The high cost of inputs such as seed, fertilizer, machinery and petroleum has accounted for much of the transfer of wealth out of the hands of farmers. Despite increases in production as farmers have adopted new technology, they have also faced falling prices at the farm gate for the commodities they produce. The bottom line is that farmers are producing more for less, while retailers, processors and input suppliers are capturing the profits.



(Source: *The Farm Crisis, Bigger Farms, and The Myths of “Competition” and “Efficiency”*, National Farmers Union, November 2003, Updated 2004)

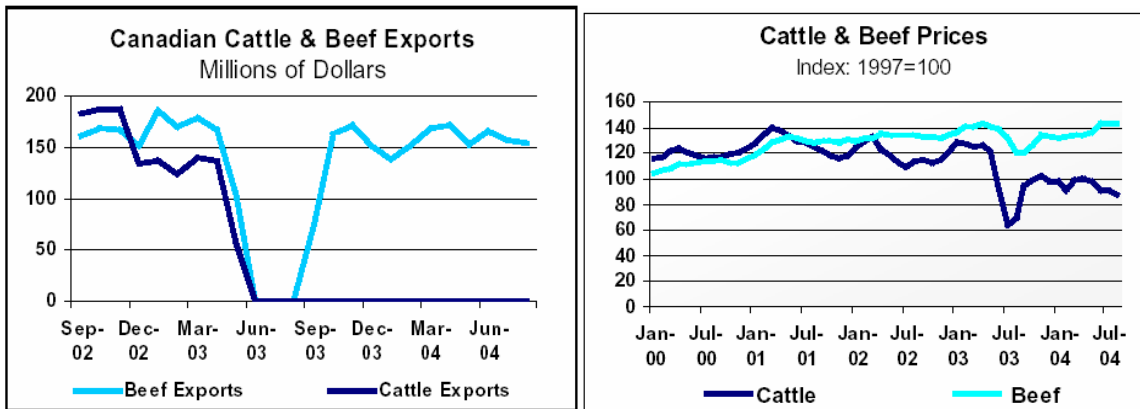
Mergers and acquisitions in the food sector have allowed economic power to concentrate in the hands of fewer and fewer corporations. Two US-owned beef packing companies, Cargill and Tyson, control over 70% of Canadian packing capacity. When the Alberta government paid out nearly \$403 million in BSE compensation in 2003, the biggest recipients were these two

<sup>2</sup> Statistics Canada, *ibid*.

<sup>3</sup> *The Farm Crisis, Bigger Farms, and the Myths of Competition and Efficiency*, National Farmers Union, November 2003 (graph updated 2004).

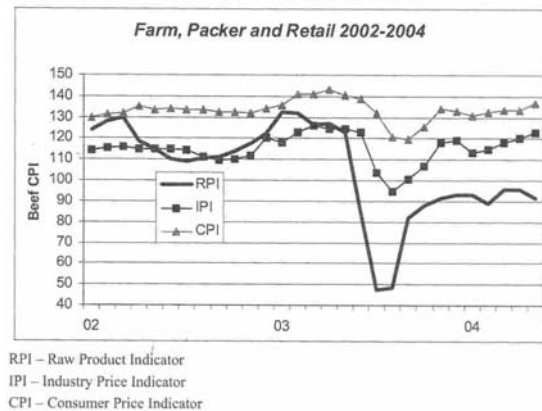
companies. Tyson received \$33 million and Cargill got \$9 million<sup>4</sup> by virtue of the cattle they owned through captive feedlot contracting. Not only do Cargill and Tyson monopolize the Canadian beef packing industry, they also dominate the US beef sector with 20.6% and 27.1%, respectively, of the American market.<sup>5</sup>

Over the past 20 years, the Alberta government has subsidized the construction and operation of US-owned packing giants, put in place policies which concentrated cattle production in large feedlots at the expense of smaller cow-calf farmers, and ramped up exports of cattle and boxed beef to the United States market at the expense of our domestic market and our domestic independent processing industry. When the US border suddenly closed in May, 2003, the livestock industry was thrown into chaos. But it wasn't long before the big packers were able to resume exports of boxed beef into the lucrative US market, even though live cattle were prohibited.<sup>6</sup> Cattle prices declined while retail beef prices continued to rise.<sup>7</sup>

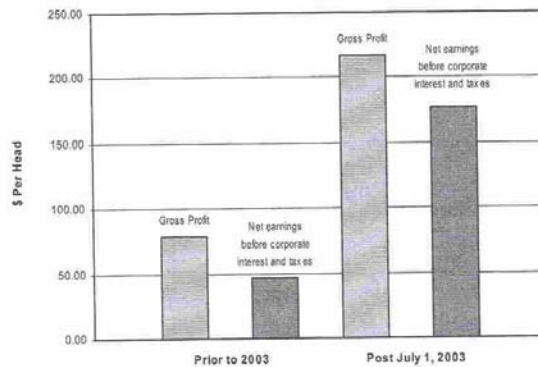


In July 2004, the Alberta Attorney General conducted an inquiry into the BSE crisis and concluded that packer profits rose 281% following the closure of the border.<sup>8</sup> Beef prices are higher now than before the BSE crisis hit.

Figure 1 Farm, Packer, and Retail Prices 2002 – 2004



### Alberta-based packer results



<sup>4</sup> Report of the Auditor General on the Alberta government's BSE-related assistance programs. July 27/04

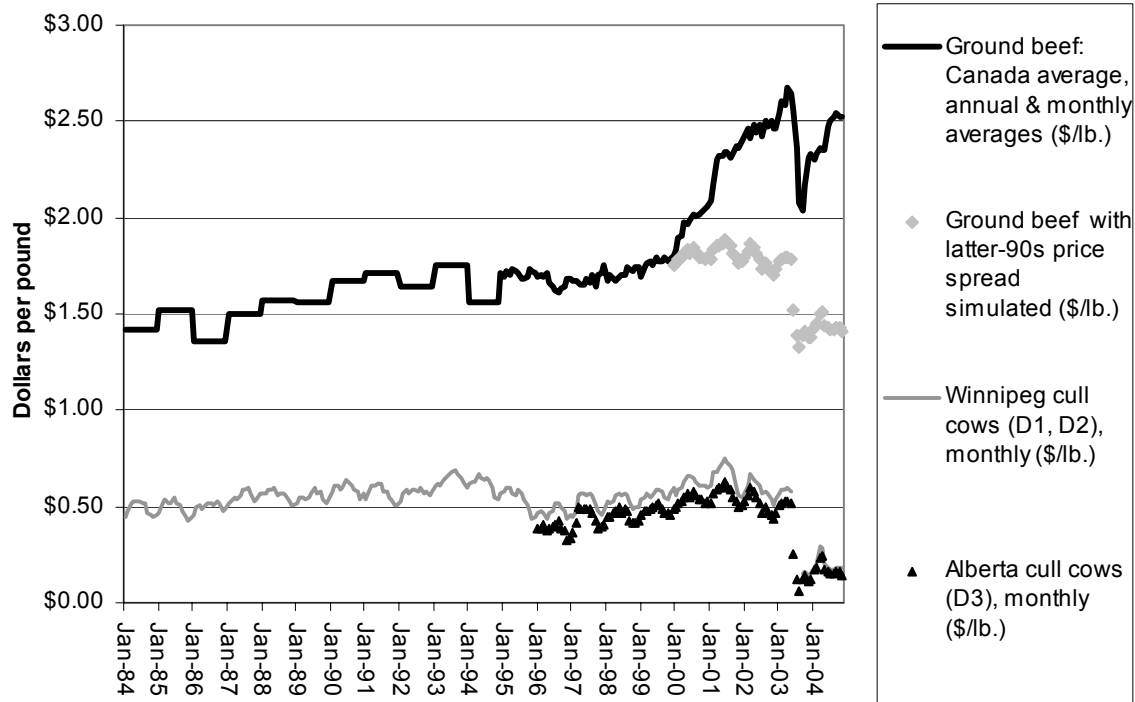
<sup>5</sup> Oligopoly Watch, "Big Beef", October 4, 2003. [www.oligopolywatch.com](http://www.oligopolywatch.com). The other major players in the US beef packing industry are Swift (46% owned by ConAgra) with 16.1% of the market; Farmland National Beef (7.8% market share), and Smithfield (6.6% market share).

<sup>6</sup> BMO Industry Update, Impact of Mad Cow Disease on the Cattle-Beef Sector, November 29, 2004

<sup>7</sup> BMO Industry Update, *ibid.*

<sup>8</sup> Report of the Auditor General on the Alberta government's BSE-related assistance programs. July 27/04.

The high price spread between cattle prices and beef prices is even more visible when you look specifically at hamburger (ground beef) and cull cattle prices. In the following graph, the price spread from 1984 through 2000 is relatively constant. But from 2001 onward, hamburger prices climbed dramatically, as the solid black line indicates. The grey line shows what hamburger prices would have been if the traditional price spread had remained constant. Clearly, the price spread is now unprecedented, with hamburger selling for an average of \$2.50 per pound, while Alberta D3 cull cows are selling for a few pennies a pound.<sup>9</sup>



In Quebec earlier this month, farmers faced with this same type of situation organized to exert pressure on the provincial government. In the end, a deal was struck whereby farmers acquired a majority share in the Colbex-Levinoff abattoir near Drummondville, and the Quebec government agreed to gradually institute a guaranteed price of 42 cents per pound for cull cows. The NFU calls on the federal and provincial governments to support independent livestock slaughter and processing in other parts of Canada; boost livestock prices received by farmers; reduce the oligopoly market power of large American-based packing plants; and institute BSE testing based on market demands.

Farmers across Canada support the Quebec farmers' actions, and we want to see other governments, including the Government of Alberta, step up to the plate and match what Quebec has done. Surely our provincial government realizes how important livestock producers are to the Alberta economy, and will step forward with measures to put us on a par with Quebec.

<sup>9</sup> National Farmers Union Research Department, December 14, 2004