

National Office
2717 Wentz Ave.
Saskatoon, Sask.
S7K 4B6
Tel (306) 652-9465
Fax (306) 664-6226
E-Mail: nfu@nfu.ca



national farmers union

In Union Is Strength

FOR IMMEDIATE RELEASE

MARCH 6, 2008

RISE IN PRODUCTIVITY NOT REFLECTED IN FARMERS' NET INCOMES

Despite sharp increases in Canadian farmers' productivity and efficiency over the past two decades, their net incomes from the market have failed to keep pace. In large part, that is because of the high cost they pay for inputs and low prices they receive for their commodities.

In a presentation on farm input costs to the House of Commons Standing Committee on Agriculture in Ottawa March 6, National Farmers Union Director of Research Darrin Qualman said economic power is concentrated in the hands of a small number of very large companies. These companies are able to raise input prices in response to rising commodity prices, thereby squeezing farmers' margins and capturing the wealth generated in rural communities.

He noted that statistics from Agriculture and Agri-Food Canada (AAFC) reveal that since 1985, farmers have generated \$689 billion worth of gross revenues – the total value of commodities produced and sold. However, in that same time period, their aggregate net income from the markets alone – when depreciation is taken into account - is actually zero. Since 1999, it has fallen even further into negative returns.

In fact, in the last twenty years, Qualman stated, “farm families in Canada have produced and sold over two-thirds of a trillion dollars worth of farm goods, and the markets have rewarded them with not one penny of net income. One hundred percent of farm families' net incomes have come from some combination of taxpayer support programs, off-farm work, and borrowed money.”

“But if farmers didn't keep a penny of that two-thirds of a trillion dollars, where did it go? It went to input supply corporations. Over the past twenty years, Monsanto, Agrium, Cargill, Deere, Royal Bank, and their like hovered up 100% of the \$689 billion originally paid to farm families.” He added that while taxpayers contributed \$68 billion (adjusted for inflation) over that same period to help keep farmers on the land, those payments should more properly be regarded as “an ongoing subsidy to the largest agribusiness companies than a subsidy to farmers.”

Qualman said while farming is largely unprofitable, agriculture is excessively profitable for fertilizer, chemical, seed and fuel companies. He cited a graph produced by Agrium Corporation, a multinational fertilizer manufacturer, which tracked fertilizer prices rising

and declining in direct response to grain prices. A similar graph produced by Yara, the world's largest fertilizer manufacturer, illustrates exactly the same trend. These graphs "would lead us to predict that today's sharply higher grain prices will lead to fertilizer companies sharply increasing the prices they charge farmers. That is exactly what is occurring. Nitrogen fertilizer prices are 39% higher than a year ago," he stated. Qualman added that high profit margins for fertilizer companies are consistent with the higher prices charged for the product. "Fertilizer corporations are earning unprecedented profits – 5 to 6 times higher than levels earlier in this decade."

He concluded that "powerful corporations, given the opportunity to profit, and without the disciplines of competition, will act predictably."

The full text of the four-page presentation made by the NFU to the House of Commons Standing Committee on Agriculture is available on request by e-mailing nfu@nfu.ca.

- 30 -

Contact: Darrin Qualman, NFU Director of Research (306) 652-9465