

The Farm Crisis & Corporate Profits

A Report by Canada's National Farmers Union, November 30, 2005

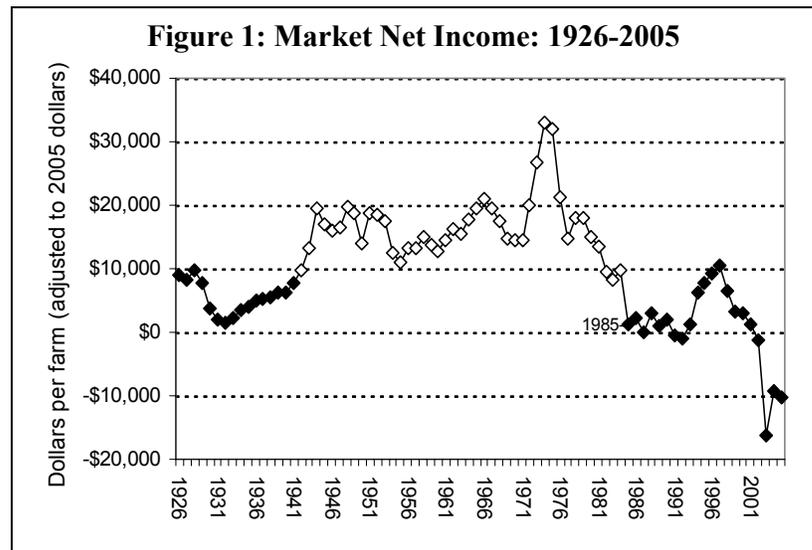
The farm income crisis has reached excruciating intensity. For Canadian farm families and their net incomes, 2004 was the second-worst year in history. But for agribusiness, 2004 was the best year in history. Is there a link? This report uses 2004 as a case study and takes a detailed look at the profitability of the dominant agribusiness corporations. This report follows the money.

The worst of times

In 2004, Canadian farmers' Realized Net Income from the markets (Market Net Income)—a measure that subtracts out government payments—fell to *negative* \$10,000 per farm.¹ The only year worse than 2004 was 2003, when per-farm Market Net Income was negative \$16,000.

By subtracting government payments, Market Net Income removes their masking effects, and thus reveals the full extent of declines in the net returns that the markets pay to farmers. Figure 1 graphs per-farm Market Net Income, adjusted for inflation.

After 40 years of relative stability (the white dots in Figure 1), Market Net Income plunged to near-zero in the mid-1980s and remained near that level for the balance of that decade and much of the 1990s (the black dots at the right in Figure 1).



Most recently, Market Net Income has fallen deep into negative territory, oscillating between negative \$10,000 and negative \$16,000 per farm per year.

Market Net Income levels for 2003 and '04 were far below those of the 1930s. But this sub-Depression-level net income is not confined to the past two or three years: for the past 20 years, net income has been

This report is the fourth in the NFU's *Farm Crisis* series. The other three titles are:
The Farm Crisis, EU Subsidies, and Agribusiness Market Power (February 17, 2000)
The Farm Crisis, Bigger Farms, and the Myths of Competition and Efficiency (November 20, 2003)
The Farm Crisis: Its Causes and Solutions (July 5, 2005)

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near or below 1930s' levels. Per-farm Market Net Income fell below \$5,000 in seven years during the Depression; it has been below \$5,000 *in 15 of the last 20 years*. Market Net Income for the ten years of the 1930s averaged \$3,897 per farm. The average for the most recent ten years is *negative \$323 per farm*. Today, farmers are paying to produce. Were it not for taxpayer-funded support, off-farm income, depletion of savings, and access to debt, farming in Canada would have to cease.

These worse-than-the-Depression net incomes have driven farmers off the land—cutting their number by 11% in the five years between the latest agricultural censuses (1996 and 2001). If this rate of loss persists (and it is probably accelerating), it will cut the current number of farmers in half by 2025. And the negative effects are not confined to our farms. Many rural communities are withering. After more than a century of developing and populating rural Canada, today we're boarding up stores, closing schools, and ripping up railway tracks. The Canadian economy suffers as it loses the profits from food production. Taxpayers suffer as they are made to pay four to five billion dollars per year to support farmers. And the country suffers as these billions are taken away from education, healthcare, environmental protection, the arts, and infrastructure. All parts of Canadian society suffer as a result of this unprecedented disintegration of the systems that previously returned adequate prices, revenues, and profits to the families and communities that produce our food.

The best of times

Clearly, our family farms are in crisis. But to understand this crisis, we must understand these farms in their economic context—as the central link in an agri-food chain that reaches from energy, fertilizer, seed, and chemical companies and banks at one end, to processors, packers, retailers, and restaurants at the other. Our agri-food chain extends from the oil well to the drive-through window.

Compared to our family farms, the profit picture for the other links in the chain could not be more different. For the agribusiness corporations dominant in Canada, 2004 was the best year in history; overall, profits hit record highs. Of the 75 companies profiled in the following pages and for which profit data is available, 41 posted *record profits*, and another 16 had near-record profits or their second- or third-best year ever. Thus, 57 of 75 companies—76%—had their best year, or nearly their best. None of the listed corporations experienced a record or near-record loss. No other sector experienced losses overall, and certainly none experienced losses comparable to those of farmers. 2004 was as good for agribusiness as it was bad for farmers.

A brief tour is in order (detailed information on corporate profitability is included as Table 1, pages 5-8). At the beginning of the agri-food chain, we find the energy companies. Four companies refine and retail the lion's share of Canada's gasoline and diesel fuel—together owning nearly $\frac{3}{4}$ of our refinery capacity.² Revenue and profit data are available for three of these companies: Imperial Oil, Petro-Canada, and Shell Canada. The fourth, Irving Oil, is a private company and, thus, does not release financial information. The three companies for which we have data *all posted record profits in 2004*. It is probable that Irving Oil similarly posted a record profit. In 2004, Return on Equity rates for the three companies for which we have data ranged from 19% to 32%.

At the next link in the chain, energy in the form of natural gas is converted into nitrogen fertilizer. Four companies control the bulk of Canada's nitrogen fertilizer production capacity: Agrium, Saskferco, Canadian Fertilizer Ltd., and J. R. Simplot. Together, these four own nearly 94% of urea (nitrogen) production capacity.³ Some of these corporate entities are, in turn, owned by other transnationals. Saskferco, for instance, is 50% owned by Mosaic (created through the merger of Cargill Crop Nutrition and IMC Global). Overall, the fertilizer sector was characterized by record profits: major nitrogen

producers Agrium and Saskferco posted record profits, as did Saskferco's parent Mosaic and Mosaic's parent Cargill. Terra Corporation posted its best profit in the past seven years. And record or near-record profits are probable at Canadian Fertilizers Ltd. The profit situation at Simplot is unknown. In 2004, major nitrogen fertilizer producers posted Return on Equity rates ranging from approximately 5% to approximately 24%.

In addition to these record profits among nitrogen producers, Potash Corporation of Saskatchewan—the world's largest⁴ fertilizer company and a major producer of potassium, phosphate, and nitrogen fertilizers (but with no nitrogen production capacity in Canada)—also posted a record profit.

Agri-chemical companies posted healthy profits; Dow came close to a record, but others enjoyed only "normal" profit levels. Return on Equity rates ranged from approximately 5% for Bayer to nearly 23% for Dow.

Seed companies were likewise profitable. Every one of the dominant companies posted strong profits with 2004 Return on Equity rates ranging from approximately 5% for Bayer to nearly 16% for DuPont (Pioneer Hi-Bred).

Veterinary drug makers Pfizer and Novartis posted record profits, while the rest merely posted large ones. 2004 Return on Equity (ROE) rates ranged from approximately 5% up to 34%. Merck (Merial) posted a 34% ROE and over \$7.5 billion in profits, but did not post a record profit—not bad for an average year. But this is the point: huge profits and impressive ROE rates are the *norm* at the non-farm links in the agri-food chain. [All currency amounts in this brief are in Canadian dollars.]

At the machinery link, John Deere and CNH posted record profits and AGCO posted a near-record. ROE rates ranged from about 2½ % to 22%.

Three of Canada's five major banks posted record profits, and the other two had their second-best years. ROE rates ranged from about 15% to 20%. Profits for the big five banks totalled more than \$12 billion.

Then, in the middle of the agri-food chain, comes

Farmers' profits and Return on Equity

Farmers' net income numbers are bad, but their "profit" numbers are worse. Realized Net Income is not the same as corporate profit, which is calculated after every worker is paid. Thus, to calculate farmers' profits, we must first subtract from Realized Net Income the value of farm family labour and management.

Unfortunately, there are no figures for the value of farm family labour and management. For the purpose of this report, we will use the following estimate: \$5.57 billion per year. That estimate is calculated by assigning the following values:

For the 130,450 Canadian farms with gross revenues below \$50,000 (based on the 2001 Census of Agriculture), we assign a value for labour and management of zero;

For the 35,255 farms with revenues between \$50,000 and \$100,000, we assign \$20,000 per year;

For the 47,079 farms with revenues between \$100,000 and \$250,000, we assign \$40,000 per year;

For the 21,396 farms with revenues between \$250,000 and \$500,000, we assign \$80,000 per year; and

For the 12,743 farms with revenues above \$500,000, we assign \$100,000 per year.

These salary estimates are certainly arbitrary, but just as certainly conservative. Consider this: \$5.57 billion would cover just 124,000 management salaries (at \$45,000 per year). There are about 230,000 farms in Canada today and many of the medium-sized and large ones rely on the labour and management of two or three family members.

Taking \$5.57 billion per year as the value of labour and management, we can calculate farmers' profit from the markets: *negative* \$7.75 billion for 2004 (\$5.57 billion subtracted from farmers' Market Net Income of negative \$2.17 billion).

Using this negative \$7.75 billion figure, we can calculate a Return on Equity number for farmers comparable to numbers used by corporations. That number—farmers' 2004 Return on Equity from the markets (Market ROE)—is *negative* 5.09%.

As Table 1, below, shows, Return on Equity is a critical measure: it allows direct comparison between the profitability of relatively-small farms and the profitability of the largest corporations.

farmers. Farmers' 2004 Return on Equity from the markets was *negative* 5.09% (see "Farmers' profits" sidebar on page 3). Their ROE rate was similarly negative in 2003, and will be again negative in 2005. *And farmers' ROE from the markets has been negative in every year of the last 20.* Overall, Canadian farmers have not earned a single dollar of profits from the markets since 1984. Over the same period, agribusiness has accumulated profits almost certainly reaching into the trillions.

Moving down the agri-food chain, we see corporate profit numbers comparable to those on the input side. In 2004, grain handler Cargill posted a record profit and Saskatchewan Wheat Pool posted its best profit since 1998.

CN rail posted a record profit and CP made a healthy profit.

Food processors Tyson, Pepsico (Pepsi and Quaker Oats), ConAgra, Anheuser-Busch, General Mills, Coca-Cola, Kellogg's, and Cargill all posted record profits. Altria (Kraft), Nestlé, Sara Lee, and Heinz had near-record or their second- or third-best profits. Of the 15 dominant food-processing corporations listed, only two failed to post record or near-record profits: Heinz and Unilever. (There is no data for Mars.) But Heinz earned a 74% ROE and \$841 million in profits; Unilever earned a 42% ROE and over \$3 *billion* in profits. The fourteen companies for which data is available racked up combined profits of nearly \$48 billion. Processing food is among the most profitable sectors of the global economy.

Beef packers Cargill and Tyson both had record profits, as did pork packer Maple Leaf.

The three largest breakfast cereal makers all posted record profits, as did the three largest brewers and the three largest soft drink makers. The largest retailers posted record or near-record profits, as did most of the restaurant chains and food service corporations listed.

Table 1, below, provides details.

Data quality and disclaimer

Researching this report posed two problems: determining which companies dominate each link in the agri-food chain, and compiling and calculating financial indicators for each of those companies.

Determining the names of the dominant players is complicated—made more so by corporate secrecy and government unwillingness to publish data that mentions corporations by name. When it comes to market share data, there is almost no publicly available information, this despite the fact that the corporations themselves have detailed market share data on their competitors (purchased from companies such as AC Neilson) and despite the fact that governments compile similarly detailed market share data. While the NFU has undertaken extensive research over the past year to determine which corporations dominate each link in the chain, the companies listed on the following pages should be seen as representative of the sector, rather than the "top" companies in each link. In many cases, the companies listed are the top companies and they are listed in order of rank of market share, but in some sectors this is not the case.

The financial data listed for each company has been compiled and calculated from a wide range of sources. Because of the possibility of human or mechanical error, errors in source documents, as well as other factors, such information is provided "as is" without warranty of any kind.

The NFU is committed to accuracy and welcomes comments on the data presented in this report. Please contact us at nfu@nfu.ca .

Table 1: Agribusiness corporations' revenues, profits, and Returns on Equity

Sector	Company	Revenue: 2004 (Cdn. millions)	Profit: 2004 (Cdn. millions)	Return on Stockholders Equity: 2004	Return on Stockholders Equity: 5- year average	Record Profit in 2004?
Fuel and oil						
	Imperial Oil Limited (Esso)	\$22,460	\$2,052	32.46%	29.85%	Record Profit
	Petro-Canada	\$14,377	\$1,757	20.11%	18.89%	Record Profit
	Shell Canada Limited	\$11,228	\$1,286	19.70%	17.75%	Record Profit
	Irving Oil Limited	Private	Private	Private	Private	?
Nitrogen Fertilizer						
	Agrium Inc.	\$3,690	\$359	24.51%	5.07%	Record Profit
	Saskferco Products Inc.	\$3,848	\$39	Private	Private	Record Profit
	Canadian Fertilizers Ltd.	Co-op	Co-op	Co-op	Co-op	Co-op
	J. R. Simplot Company	\$4,030	Private	Private	Private	Private
	The Mosaic Company	\$5,716	\$215	5.15%	4.31%	Record Profit
	Potash Corp. of Sask. Inc.	\$4,217	\$388	12.49%	4.86%	Record Profit
	Terra Industries Inc.	\$1,962	\$88	14.71%	-21.56%	Highest since '97
Chemicals						
	Syngenta International AG	\$9,450	\$598	8.13%	5.08%	Not a Record
	Bayer AG	\$48,090	\$974	4.92%	3.53%	Not a Record
	BASF AG	\$60,661	\$3,043	11.94%	13.73%	Not a Record
	Monsanto Company	\$7,094	\$347	5.08%	-4.42%	Not a Record
	The Dow Chemical Co.	\$52,211	\$3,636	22.80%	9.50%	Near Record
	DuPont	\$35,543	\$2,314	15.65%	12.17%	Not a Record
Seeds						
	DuPont (Pioneer Hi-Bred)	\$35,543	\$2,314	15.65%	12.17%	Not a Record
	Monsanto Company	\$7,094	\$347	5.08%	-4.42%	Not a Record
	Syngenta International AG	\$9,450	\$598	8.13%	5.08%	Not a Record
	Bayer AG	\$48,090	\$974	4.92%	3.53%	Not a Record
Vet drugs						
	Bayer AG	\$48,090	\$974	4.92%	3.53%	Not a Record
	Pfizer Inc.	\$68,274	\$14,770	16.64%	26.82%	Record Profit
	Merck & Co. Inc. (Merial)	\$29,821	\$7,558	34.00%	42.00%	Not a Record
	Eli Lilly and Co. (Elanco)	\$18,016	\$2,353	16.58%	33.04%	Not a Record
	Novartis International AG	\$36,723	\$7,497	18.00%	17.12%	Record Profit
Machinery						
	Deere & Company	\$25,983	\$1,828	21.99%	11.57%	Record Profit
	CNH Global N.V.	\$15,833	\$163	2.46%	-9.74%	Record Profit
	AGCO Corporation	\$6,856	\$206	11.16%	2.18%	Near Record
Banking						
	Royal Bank of Canada	\$25,204	\$2,817	15.47%	15.32%	Second Highest
	Bank of Montreal	\$13,208	\$2,351	17.83%	14.74%	Record Profit
	Toronto-Dominion Bank	\$16,015	\$2,310	16.53%	8.60%	Second Highest
	Can. Imp. Bank of Com.	\$16,705	\$2,199	16.63%	13.84%	Record Profit
	Bank of Nova Scotia	\$16,497	\$2,931	19.24%	15.61%	Record Profit

Sector	Company	Revenue: 2004 (Cdn. millions)	Profit: 2004 (Cdn. millions)	Return on Stockholders Equity: 2004	Return on Stockholders Equity: 5- year average	Record Profit in 2004?
Farmers						
	Returns from the <u>markets</u> →	\$31,641	-\$7,750	-5.09%		Near-Record <u>Loss</u>
Grain Handling						
	Agricore United	\$3,048	-\$14	-2.86%	-2.64%	Not a Record
	Saskatchewan Wheat Pool	\$1,407	\$5	2.63%	-13.70%	Highest since '98
	James Richardson & Sons Ltd. (Pioneer)	\$1,722	Private	Private	Private	Private
	Cargill Inc.	\$92,389	\$2,734	17.16%	11.44%	Record Profit
Railways						
	Canadian National Railway Co.	\$6,581	\$1,297	13.55%	12.65%	Record Profit
	Canadian Pacific Railway Ltd.	\$3,903	\$413	10.37%	12.47%	Not a Record
Food Processors: General						
	Tyson Foods Inc.	\$34,375	\$524	9.39%	7.59%	Record Profit
	Altria Group Inc. (Kraft)	\$116,498	\$12,241	30.66%	44.94%	Second Highest
	Pepsico Inc. (Quaker Oats)	\$38,041	\$5,476	31.03%	32.18%	Record Profit
	Nestlé S.A.	\$93,969	\$7,031	17.13%	18.96%	Third Highest
	ConAgra Foods Inc	\$18,307	\$1,055	18.00%	16.16%	Record Profit
	Anheuser-Busch Cos. Inc	\$22,309	\$2,913	83.96%	60.67%	Record Profit
	Sara Lee Corporation	\$24856	\$1,654	43.00%	92.32%	Second Highest
	Mars Inc.	Private	Private	Private	Private	Private
	General Mills Inc	\$14,392	\$1,372	20.00%	100.00%+	Record Profit
	H. J. Heinz Company	\$10,940	\$1,045	42.00%	45.75%	Third Highest
	Campbell Soup Company	\$9,242	\$841	74.00%	100.00%+	Not a Record
	The Coca-Cola Company	\$28,552	\$6,301	30.42%	29.08%	Record Profit
	Kellogg Company	\$12,499	\$1,158	39.00%	58.87%	Record Profit
	Unilever N.V.	\$64,914	\$3,032	42.50%	8.40%	Not a Record
	Cargill Inc	\$92,389	\$2,734	17.16%	11.44%	Record Profit
Beef Packing						
	Cargill Inc	\$92,389	\$2,734	17.16%	11.44%	Record Profit
	Tyson Foods Inc.	\$34,375	\$524	9.39%	7.59%	Record Profit
	XL Foods Inc	Private	Private	Private	Private	Private
Pork Packing						
	Maple Leaf Foods Inc	\$6,365	\$107	11.81%	8.99%	Record Profit
	Olymel L.P.	\$1,848	Co-op	Co-op	Co-op	Co-op
	Groupe Brochu	n/a	Private	Private	Private	Private
	Quality Meat Packers Ltd.	n/a	Private	Private	Private	Private
Wheat flour milling						
	Archer Daniels Midland Co.	\$46,998	\$643	6.43%	6.26%	Not a Record
	J.M. Smucker Co. (Robin Hood)	\$1,842	\$145	9.20%	9.47%	Record Profit
	Dover Industries Ltd.	\$148	\$3	8.82%	7.00%	Near Record
	Parrish & Heimbecker Ltd.	Private	Private	Private	Private	Private

Sector	Company	Revenue: 2004 (Cdn. millions)	Profit: 2004 (Cdn. millions)	Return on Stockholders Equity: 2004	Return on Stockholders Equity: 5- year average	Record Profit in 2004?
Malting						
	ConAgra Foods (Canada Malt.)	\$18,307	\$1,055	18.00%	16.16%	<u>Record Profit</u>
	Tiger Brands Ltd. (Canada Malt.)	\$5,133	\$286	34.92%	66.59%	<u>Record Profit</u>
	Cargill Inc. (Prairie Malting)	\$92,389	\$2,734	17.16%	11.44%	<u>Record Profit</u>
	Sask. Wheat Pool (Prairie Malt.)	\$1,407	\$5	2.63%	-13.70%	<u>Highest since '98</u>
	Rahr Malting Co.	Private	Private	Private	Private	Private
	Archer Daniels Midland Co. (IMC)	\$46,998	\$643	6.43%	6.26%	Not a Record
	Lasaffre Yeast Corp. (IMC)	Private	Private	Private	Private	Private
Oilseed crushing						
	Bunge Limited	\$32,720	\$610	13.90%	11.86%	<u>Record Profit</u>
	Archer Daniels Midland Co.	\$46,998	\$643	6.43%	6.26%	Not a Record
	Cargill Inc.	\$92,389	\$2,734	17.16%	11.44%	<u>Record Profit</u>
	James Richardson & Sons Ltd.	\$1,722	Private	Private	Private	Private
Breakfast cereals						
	Kellogg Company	\$12,499	\$1,158	39.00%	58.87%	<u>Record Profit</u>
	General Mills Inc	\$14,392	\$1,372	20.00%	100.00%+	<u>Record Profit</u>
	Pepsico Inc. (Quaker Oats)	\$38,041	\$5,476	31.03%	32.18%	<u>Record Profit</u>
Pasta						
	New World Pasta Co.	Private	Private	Private	Private	Private
	Altria Group Inc. (Kraft)	\$116,498	\$12,241	30.66%	44.94%	<u>Second Highest</u>
	Italpasta Limited	Private	Private	Private	Private	Private
	GrissPasta Products Ltd.	Private	Private	Private	Private	Private
Potato processing						
	McCain Foods Limited	\$5,809	Private	Private	Private	Private
	J.D. Irving, Ltd. (Cavendish)	Private	Private	Private	Private	Private
	J. R. Simplot Company	\$4,030	Private	Private	Private	Private
	ConAgra Foods Inc. (Lamb Weston)	\$18,307	\$1,055	18.00%	16.16%	<u>Record Profit</u>
Veg. Processing						
	H. J. Heinz Company	\$10,940	\$1,045	42.00%	45.75%	<u>Third Highest</u>
	Altria Group Inc. (Kraft)	\$116,498	\$12,241	30.66%	44.94%	<u>Second Highest</u>
	Sun-Brite Canning Ltd.	Private	Private	Private	Private	Private
	Carriere Foods Inc	\$300	Private	Private	Private	Private
	Omstead Foods Ltd.	Private	Private	Private	Private	Private
	J.M. Smucker Company	\$1,842	\$145	9.20%	9.47%	<u>Record Profit</u>
Beer						
	InBev NV/SA (Labatts, etc.)	\$13,846	\$1,162	8.43%	Unknown	<u>Record Profit</u>
	Molson Coors Brewing Co.	\$7,565	\$256	12.30%	13.38%	<u>Record Profit</u>
	Anheuser-Busch Cos. Inc.	\$22,309	\$2,913	83.96%	60.67%	<u>Record Profit</u>
	Sleeman Breweries Ltd.	\$213	\$14	11.85%	13.00%	<u>Record Profit</u>
	Lakeport Brewing	Private	Private	Private	Private	Private
	Big Rock Brewery Ltd.	\$39	\$7	22.92%	12.70%	<u>Record Profit</u>
	Brick Brewing Co. Ltd.	\$23	\$2	10.36%	-3.64%	<u>Second Highest</u>

Sector	Company	Revenue: 2004 (Cdn. millions)	Profit: 2004 (Cdn. millions)	Return on Stockholders Equity: 2004	Return on Stockholders Equity: 5- year average	Record Profit in 2004?
Soft Drinks						
	The Coca-Cola Company	\$28,552	\$6,301	30.42%	29.08%	Record Profit
	Pepsico Inc.	\$38,041	\$5,476	31.03%	32.18%	Record Profit
	Cadbury Schweppes plc	\$10,889	\$697	11.44%	Unknown	Unknown
	Cott Corporation	\$2,140	\$102	17.07%	15.36%	Record Profit
Juices						
	Pepsico Inc. (Tropicana)	\$38,041	\$5,476	31.03%	32.18%	Record Profit
	Lassonde Ind. Inc. (Allen's, etc.)	\$262	\$12	11.46%	11.34%	Second Highest
	Coca-Cola Co. (Minute Maid)	\$28,552	\$6,301	30.42%	29.08%	Record Profit
	Sun-Rype Products Ltd.	\$115	\$6	13.59%	15.58%	Record Profit
	Cadbury Schweppes (Ocean Spray)	\$10,889	\$697	11.44%	Unknown	Unknown
Dairy processing						
	Saputo Inc.	\$3,883	\$232	18.80%	18.36%	Record Profit
	Agropur Co-op. Agro-Alimentaire	\$1,931	Co-op	Co-op	Co-op	Co-op
	Parmalat Finanziaria S.p.A.	In "Extraordinary Administration" and seeking to reorganize				
	Altria Group Inc. (Kraft)	\$116,498	\$12,241	30.66%	44.94%	Second Highest
	Nestlé S.A.	\$ 93,969	\$7,031	17.13%	18.96%	Third Highest
	Unilever N.V.	\$64,914	\$3,032	42.50%	8.40%	Not a Record
	George Weston Ltd. (Neilson)	\$29,723	\$428	10.24%	16.71%	Not a Record
	Gay Lea Foods Co-op. Limited	\$330	Co-op	Co-op	Co-op	Co-op
Food retail						
	Loblaw Companies, Ltd.	\$26,209	\$968	18.02%	16.93%	Record Profit
	Sobeys Inc.	\$11,047	\$168	10.60%	10.62%	Third Highest
	Metro Inc	\$5,999	\$169	19.72%	21.60%	Record Profit
	Safeway Inc	\$46,572	\$728	13.01%	5.41%	Not a Record
Food services						
	Sysco Corporation	\$38,137	\$1,179	35.37%	31.37%	Record Profit
	Compass Group PLC	\$27,529	\$427	approx 7%	Unknown	Not a Record
	Sodexho Alliance SA	\$18,051	\$287	9.10%	Unknown	Record Profit
	Aramark Corporation	\$13,250	\$342	22.88%	61.22%	Third Highest
Restaurants						
	McDonald's Corporation	\$24,785	\$2,963	16.05%	15.15%	Record Profit
	Yum! Brands Inc. (KFC, A&W, Pizza Hut, etc.)	\$11,715	\$962	46.39%	168.18%	Record Profit
	Darden Restaurants Inc. (Red Lobster, Olive Garden, etc.)	\$6,505	\$301	18.55%	19.28%	Near Record
	Starbucks Corporation	\$6,883	\$509	15.73%	12.44%	Record Profit
	Brinker International Inc. (Chili's, etc.)	\$4,820	\$196	14.85%	15.30%	Second Highest
	Wendy's international Inc. (Wendy's, Tim Hortons)	\$4,726	\$68	3.03%	12.88%	Not a Record
	Outback Steakhouse Inc.	\$4,162	\$203	14.34%	15.62%	Second Highest
	Cara Operations, Ltd. (Swiss Chalet, Harvey's, etc.)	\$1,200 est.	Private	Private	Private	Private
	Burger King Corporation	\$1,300 est.	Private	Private	Private	Private

How their good times create our bad times

“The free market is a myth. Everybody knows that. Just very few people say it. . . . [I]f I’m not smart enough to know there’s no free market, I ought to be fired. . . . You can’t have farming on a total laissez-faire system because the sellers are too weak and the buyers are too strong.”

—Dwayne Andreas, CEO of Archer Daniels Midland Corporation.⁵

In 2004, agribusiness posted record profits while farmers shouldered near-record losses. How come? In the past, the NFU has said simply that the farm crisis is caused by an imbalance in market power that creates a parallel imbalance in the allocation of profits within the agri-food chain; farmers are making too little because powerful corporations are taking too much. This report goes further—listing and analyzing many of the mechanisms that agribusiness uses to extract ever-increasing revenues and profits at the expense of farmers. Such an analysis of mechanisms is essential to any process of public policy reform that seeks to restore farm profitability. Here is a selection of those mechanisms:

Cost externalization. Agribusiness corporations force costs onto farmers; economists call this “externalization.” As an example: In the West, the two dominant railways and four dominant grain companies “rationalized” the grain handling and transportation system in the 1990s. They centralized grain collection to a few points—cutting the number of elevators to 361 in 2004 from 1,967 in 1984.⁶ Grain companies cut staff, facilities, and costs. Railways largely stopped collecting grain from branchlines and became mainline carriers. But whereas grain and rail companies’ costs fell, farmers were forced to pay *increased* costs—for long-distance trucking; additional on-farm storage; and, through property taxes, additional road maintenance. And farmers paid more for grain company services too; even as those companies touted their “efficiencies” and cost saving, they ratcheted up handling charges—increasing them faster than the rate of inflation. Note that cost externalization requires market power and a low level of competition. If real competition exists, a company’s inclination to foist costs onto others will be restrained by the consideration that a competitor may not do so, thus giving advantage and market share to that competitor.

Other examples of externalization involve forcing costs onto communities (demanding costly infrastructure as a condition for siting processing plants); taxpayers (requiring them to support profit-drained farmers); workers (using market power to restrain wages or close plants); and the environment (short-changing farmers and, thus, under-funding stewardship and husbandry).

Pricing power. Agribusiness corporations price according to what the market will bear. Agrium is one of Canada’s largest fertilizer makers. Previous NFU studies⁷ have reprinted a graph from Agrium’s 2001 Annual Report. That graph is entitled “Nitrogen Prices Follow Grain Prices” and in it, Agrium emphasizes the direct correlation between the price farmers receive for corn and the price Agrium charges for urea (nitrogen) fertilizer. Agrium is not unique: many input makers raise prices when farmers’ grain or livestock prices rise. Like cost externalization, pricing according to what the market will bear is impossible in markets where real competition exists. Agrium and three other companies own 94% of Canada’s urea fertilizer production capacity.

Fostering farmer dependence. Farm input corporations seek to commodify and sell “products” that farmers previously obtained for free. For 10,000 years, lasting until about 60 or 70 years ago, farming was solar-powered and largely self-sufficient. Over the last two to three generations, however, biological cycles have been replaced by purchased “inputs.” Horses, which reproduced themselves, were replaced

by purchased tractors. While horses ran on farm-produced grass, hay, and grain—forms of solar power—tractors require purchased fuel. Until recently, farms supplied their own fertility from manure, rotations, and residual nutrients. Following World War II, however, the world had surplus capacity for producing nitrogen and phosphates—ingredients for both fertilizers and bombs—so farmers were convinced to purchase fertility. Next came chemicals to control weeds and bugs. Then came round after round of more and better tractors, fertilizers, and chemicals.

It is not the case that the thousands of farm families that make up the National Farmers Union want to go back to farming with horses and hoes; many drive high-tech sprayers and some own airplanes. But a rational person might ask: Does there come a point in this process of making farmers more and more dependant on purchased inputs when farmers cease to benefit? Are we past that point? Are there some inputs that farmers might be better off producing themselves? ...or going without?

Corporations continue to expand into new areas of the farm input business—colonizing new biological and economic terrain—creating “inputs” where none existed before. Their most recent foray is into the area of seeds. Until recently, farmers were largely self-sufficient in seeds for most crops—they saved and re-used part of their harvest (corn and canola are exceptions). The new varieties farmers needed were provided by publicly funded breeding. As recently as the mid-1980s, the public sector still accounted for over 95% of plant breeding in Canada, and 100% of cereal and oilseed breeding.⁸ The past two decades, however, have seen the rise of global seed corporations and the decimation of public seed development. Seeds have become big business. Agribusiness, having added traction power to its list of saleable inputs in the 1920s, fertility to its list in the 1940s and '50s, and weed control in the 1960s and '70s, has now added seeds. As economist Richard Levins quips: “The shortest possible economic history of...agriculture during the twentieth century would be this: non-farmers learning how to make money from farming.”⁹ The corporate profit figures in this report reveal just how successful those non-farmers have been: they now capture more than 100% of the profits. Creating new “technologies” and inputs, colonizing biological and economic terrain, and making farmers and food production systems more dependant on their products—these are key strategies farm input corporations use to capture ever-larger portions of food-

Farm crisis myths

Myths abound about the causes of the farm crisis. Here's a selection.

Myth: Oversupply is the problem.

Facts: The world grain stocks/use ratio—the most oft-quoted measure of supply and demand—touched a 30-year low in 2004. In five of the last six years, globally, we consumed more grain than we produced. Other food sources—fish, game, wild plants—are in decline. Over the next six years, we will add to the world's population the equivalent of another North America. And (Brazil notwithstanding) we will attempt to feed these added people on about the same area of cropland we have today.

Myth: Farmers are inefficient.

Facts: Since the 1960s, farmers have posted the highest efficiency gains of any sector in the Canadian economy. Today, farmers produce and sell for 1970's prices—a feat unmatched by Coke, Nike, or Shell.

Myth: EU & US subsidies are to blame.

Facts: The assertion that subsidies cause increased production, oversupply, and falling prices is false. There is no correlation between subsidy levels and production increases. And there is no oversupply. A study by US economist Daryll Ray and associates found that ending subsidies would increase grain prices by less than 3%.

Myth: A rising dollar is to blame.

Facts: In 1974, the Canadian dollar peaked, and so did farm prosperity. There is no correlation between our dollar's value and our farms' prosperity.

Myth: Government regulation and interference are the problems.

Facts: The farm crisis has landed with equal ferocity on highly regulated farms in the EU and relatively unregulated farms in Argentina and Australia. Further, the most regulated Canadian farm sectors—supply-managed dairy, eggs, and poultry—have borne the least impacts of our farm crisis. Finally, the most regulated sector of the global economy—pharmaceuticals—is the most profitable.

system revenues and profits. A reversal of the farm crisis requires a reversal of these trends.

Pursuing corporate independence. While the farm input corporations upstream from farmers clearly benefit by making farmers more dependent on an ever-expanding array of fertilizers, chemicals, seeds, and technologies, the corporations downstream realize that they will maximize their profits by pursuing independence from farmers. Grain companies, packers, and processors take advantage of trade agreements and globalization to sever their dependence on farmers in any given region. Thus, Cargill, with its canola crushing plant in Clavet, Saskatchewan, is not hostage to the production decisions of local farmers or to the weather. Cargill's future is in no way tied to the future of those local farmers or residents—the company can source canola from around the world. And if Canadian or US canola runs short or becomes “expensive,” Cargill can substitute Brazilian soybeans or Indonesian palm oil. While farmers are generally captive to local markets and a small number of buyers, corporate agribusiness can source a range of interchangeable products from around the world. This asymmetrical access to markets allows these transnationals to play farmers in one region against those in another, to play producers of one commodity off those who produce another. Farmers possess no reciprocal ability to play one agribusiness giant against another.

Sharpening profit extraction tools. Corporations seek new and more-powerful ways to collect revenues from farmers. Taking seeds again as an example, we see that the dominant corporations are using patents, contracts, and ever-tighter Plant Breeders' Rights legislation to ensure that farmers pay for seed. When farmers don't pay, corporations sue. Such lawsuits over seeds, unheard of a generation ago, are fast proliferating, with the companies seeking and receiving farm-destroying amounts of money.¹⁰ Not satisfied with these legal tools, companies are working to overcome resistance to Terminator Technology (seed genetically modified to be sterile after one generation) in order to force farmers to buy new seed each year. And because these companies have successfully pressured governments to do less publicly funded plant breeding, farmers have fewer and fewer alternatives to corporate seeds.

Destroying non-corporate competitors. The dominant agri-business corporations work to destroy co-operatives and farmers' collective-marketing agencies. Such destruction yields corporations a triple benefit:

- Allowing them to capture profits previously returned to farmers through co-ops and marketing boards;
- Reducing farmers' market power by destroying collective-marketing agencies (this reduction in market power further enhances corporate profits because reduced market power leads to reduced farmgate prices); and
- Destroying the functioning counter-models to corporate-dominated, profit-extracting agribusiness.

In the late-1990s, co-operatives processed 2/3 of Canadian milk; today, co-ops process 42%.¹¹ In the early-1990s, nearly all Western grain moved through farmer-owned and -controlled elevator co-operatives. Those co-ops are gone: bankrupted, privatized, or bought up by the dominant grain companies. Until recently, Ontario farmers marketed all their wheat through an agency they controlled: that collective marketing agency, the Ontario Wheat Producers Marketing Board, is gone. Until recently, Prairie farmers marketed their hogs through provincial marketing boards: those boards are gone—destroyed largely to appease the biggest packers and corporate hog producers.¹² Since the 1989 advent of the Canada-US Free Trade Agreement, the Canadian Wheat Board (CWB) has been the victim of 14 attacks by the dominant grain companies, acting through the US government and using the mechanisms of trade agreements.¹³ These companies need to destroy the CWB for two reasons mentioned previously: it serves as a functioning countermodel to the corporate-controlled grain trade, and it blocks those corporations from capturing the profits from Canadian wheat and barley sales.

Merging with corporate “competitors.” Among economists, the following assertions are non-controversial: if you can reduce competition, you can increase profit; profit peaks as you approach monopoly. Thus, the past two decades have hosted a merger frenzy among agribusiness corporations. Today, one company owns half of Canadian beef-packing capacity. At each link in the agribusiness chain, if you ask how many companies control 75% or 80% of capacity or make up 75% or 80% of sales, the answer is usually “three” or “four.” One of the sharpest weapons that agribusiness corporations use to wrest revenues and profits from farmers is to subvert and erode competition—to destroy competitive markets and replace them with near-monopoly markets, to approach, as nearly as possible, monopoly power.

Profit expansion. One of the most common and effective ways that agri-business corporations take money away from farmers is simply to take it—to use their market muscle to grab an ever-larger share of revenues and profits for themselves. One could describe the farm crisis this way: a customer puts \$1.35 on a grocery-store counter for a loaf of bread. Powerful food retailers, processors, railways, and grain companies take \$1.30, leaving the farmer just a nickel. Powerful energy, fertilizer, chemical, and machinery companies take 6 cents out of the farmers’ pocket. Taxpayers make up the penny.

The dominant corporations are, each year, taking more and more, leaving farmers with less and less. Take corn flakes for example. In 1984, before the advent of the modern farm income crisis, a box of corn flakes cost \$2.06.¹⁴ Of that amount, the farmer received 9¢ and the food retailer, cereal company, grain company, and various transportation companies took the balance: \$1.97. Today, the consumer pays \$3.64, the farmer gets 6½¢, and the other players take \$3.57. The farmer gets a fraction of what he or she received two decades ago, and processors and retailers have nearly doubled their take. Kellogg’s profits hits are at a record high. Corn prices, adjusted for inflation, are at a record low. Farmers’ net incomes are near a record low. Kellogg’s, Loblaw’s, Monsanto, Cargill, ADM, and other giants are eating farmers’ lunches. As a result, these companies are growing fat—bloated with profits—while farm families starve financially.

The least profitable farming system in the world?

As our politicians go abroad to promote genetically-modified seeds, large-acreage farming, and high-tech, efficient production, we need a reality check. It is possible that our high-input, high-energy-use, maximum-production, maximum-export, and maximum-cost production model is the least profitable in the world. Resource and energy scarcity and subsequent rising prices will further erode any residual profitability.

Canadian subsidies work out to about \$50 per acre of cropland. In order for most farmers to take a “wage” from their farms, current subsidies would have to nearly double. Thus, our industrial model of food production may be losing as much as \$50 to \$100 per acre. Chronically high subsidies in the US, EU, and other countries pursuing a similar model seem to support this pessimistic assessment.

It is probable that low-tech, low-input, low-cost food production systems in Asia, Africa, and elsewhere make positive net returns. It appears that farmers using hoes and dung are much more profitable than our satellite-guided computer-aided cohort. Indeed, data from Manitoba’s Glenlea Long-Term Crop Rotation Study confirms that Canadian farmers can achieve their highest profits when they use no purchased pesticides or fertilizers.

In addition to the question of profit, there is a question of population. The industrial food production model leads to a situation where only one or two percent of the population produce food and most of the 98 percent take service sector jobs—as accountants, makeup consultants, advertising executives, derivative salesman, etc. If the rest of the world adopts our model, it may be challenging to sustain eight or nine billion such service-economy workers on the planet. Already, Asian, African, and Central and South American cities are ringed by slums—the results of exiling farmers from their land. The service-sector opportunities available to these displaced farmers include the sex trade and militia duty for local warlords.

Integration and disintegration. Until the 1950s, '60s, or '70s (depending where the farms were located and what they grew) North American farm families were still largely self-sufficient. These families produced much of their own food (milk, eggs, chickens, pork, beef, and garden produce). These farms even preserved and processed their own food. They also produced many of their own tools, built or modified rudimentary machinery, and provided much of their own fertility and seed. Surplus production meant that farm families could feed others as well, but they continued to feed themselves. The farm family largely controlled its food production system from seed to plate—their food system was integrated.

The past four or five decades, however, have seen that self-sufficient family farm food system *dis*-integrated. Today, we have something unique in history: farmers who don't produce their own food. But perhaps most important to our analysis is the observation that this disintegration of on-farm food, fertility, seed, and other systems has occurred alongside a move toward *integration* at the industrial level. Corporations such as Maple Leaf, Cargill, Tyson, and others have succeeded in creating seed to shelf, dirt to dinner plate, barley to bacon, squeal to meal, field to fork vertically integrated systems.

These corporations' integration strategies—controlling production from one end of the food chain to the other—reflect their awareness that their profits will be maximized if they buy from relatively unorganized and powerless farmers at one end of the production chain and sell to relatively unorganized and powerless consumers at the other. In so doing, they seek to minimize transactions with corporations like themselves; all their transactions can be with entities having dramatically less market power.

Powerful corporations try to minimize transactions with other powerful corporations. Farmers are encouraged to maximize such transactions. Corporations pursue integration, self-sufficiency, and self-supply while urging farmers toward disintegration, dependency, and maximum consumption of corporate-supplied inputs. Farmers are losing control. Agribusiness is colonizing agriculture.

Shifting knowledge. The graph on page 1 shows that net farm income tumbled in the late-1970s and early-'80s. This was when agribusiness mergers reduced competition and allowed corporations to organize to better capture profits. But other changes were occurring as well. Before the 1980s, farmers supplied most of the expertise and knowledge on their farms. Over the past 20 years, however, farmers have become increasingly dependant on high-tech seeds and chemicals. The centre and source of knowledge passed from the farmers into the formulations, labels, patents, genes, and germplasm. As knowledge shifted, so did power. And as went power, so went profits.¹⁵

Price obscurity. Until recently, most farm commodities' prices were determined through open auctions where anyone could attend, observe, and bid. In other cases, farmers' marketing boards served as "single-desk sellers" and reported prices publicly. Over the past two decades, however, price

Many economists dead wrong about farm crisis

To some economists, what we call the farm crisis is just the normal evolution of the sector—better technology leads to larger and more efficient, but fewer, farms. In this view, the expulsion of farmers is unavoidable short-term pain leading to long-term gain.

This view might be defensible if the restructuring led to prosperity for the large, high-tech farmers who remain. But it does not. Figure 1 shows that net farm incomes for the past 20 years have been far below "normal" levels—essentially zero. Economists' "evolution of the sector" assessment fails to predict or explain the massive shift in profitability from farmers to agribusiness.

This shift in profitability begs explanation because it came at a time of rapid farm expansion, efficiency gains, and technology adoption. Economists should ponder whether getting bigger and purchasing more technology will move farmers out of the crisis, or deeper in.

information has largely disappeared into confidential contracts and corporate self-dealing. As corporate buyers increasingly monopolize price information, farmers lose their ability to bargain.

Captive supplies. One price suppression and profit-taking tool widely reported in the US is beef packers' use of captive supplies. The situation is often described like this: Packers own cattle in feedlots or they control cattle through contracts; these are their captive supplies. If market prices rise too high, packers withdraw from the markets and draw from their captive supplies. Because ready-to-slaughter cattle are a perishable commodity (if not sold at their optimal weight, they soon "eat" their profit), cattle finishers must sell within relatively narrow windows. Packer withdrawal quickly lowers prices. When the prices have fallen far enough, packers re-enter the market and, over time, re-stock their captive supplies.¹⁶ When packers have captive supplies, farmers needing to sell encounter buyers who don't need to buy. This power imbalance predictably suppresses prices.

Enforced standardization. Forcing farmers to produce highly-standardized products is another form of cost externalization. Take hogs for example: Traditionally, hogs came in many shapes and sizes. But hog processors' pursuit of ever-higher profits led them to cut wages and speed up cutting lines. Thus, less-experienced, less adaptable workers are attempting to work faster. To make this system work, to cut variability in the plant, packers forced farmers to deliver extremely uniform hogs. Hogs must also be delivered in large batches and integrated into a just-in-time system. All of this increases the minimum practical scale of hog production and increases on-farm costs. Ironically, even with feed prices so low that they are bankrupting grain farmers, hog farmers cannot make a living. Canada's largest pork packer, Maple Leaf, made a record profit in 2004.

Competition-suppression mechanisms. Most farm inputs are priced and sold subject to near-monopoly competition suppression. The OPEC cartel dictates fuel prices. Seed companies use patents and Plant Breeders' Rights legislation to prevent others from competing to sell similar varieties. Chemical companies similarly use

Farmers' relative returns

There is no need to make again the point that farmers are suffering while others prosper. But it is illuminating to see just how lush corporate profits are when compared to those of farmers. One way to highlight this disparity is to ask the question: What would our farms and rural areas look like if the profits within the agri-food chain were allocated more equitably? What if farmers' Return on Equity (ROE) rates approached those enjoyed by agribusiness?

As calculated above, farmers' Market ROE for 2004 was *negative* 5.09%. The result of a modest 10% ROE for farmers would be an additional \$15 billion from the markets as payment for risking equity.

But since ROE can only come only after everyone in the operation is paid, this additional \$15 billion would come on top of the \$5.57 billion calculated earlier as the value of farm family labour and management. This total of about \$20 billion would mean about \$90,000 per farm per year. For medium-sized and large farms, the increase in revenue and profits would amount to a multiple of that \$90,000—perhaps \$180,000 to \$270,000.

Now, an additional \$180,000 to \$270,000 per year on a medium-sized or large farm is perhaps more than is strictly necessary to restore prosperity and stability. Some might even call this sort of salary and ROE "excessive." But those who call it excessive should remember that this number is derived by asking the question: what if farmers earned returns comparable to those earned by the stockholders of Wal-Mart, Weston, Monsanto, or MacDonald's? If farm revenue and profit dollars calculated this way are excessive, it is because *the revenues and profits earned in the other links of the chain are excessive*. And that excessive revenue- and profit-taking is the main reason farmers are in crisis.

A more equitable distribution of profit dollars would not only mean farm prosperity, it would mean prosperous communities. Billions that are now extracted to the head offices of foreign-owned agribusiness corporations would stay and be spent in local towns and cities. Billions that now flow from taxpayers to farmers and on to farm input corporations could be saved and invested in health, education, the arts, infrastructure, or protecting the environment.

patents, as do veterinary drug companies. There is no similar mechanism at the fertilizer link, but four-firm control of Canadian nitrogen capacity lowers the probability of aggressive competition.

Everyone is clear on the purpose of these cartels, patents, and Plant Breeders' Rights restrictions: to increase the prices, revenues, and profits for the companies selling these products.

As noted earlier, farmers' marketing agencies are under attack in the marketplace and at the trade table. The World Trade Organization agreement and other trade agreements are entrenching Intellectual Property Rights (IPR) protections—patents, trademarks, and Plant Breeders' Rights—around the world. At the same time, though, the dominant nations at the trade tables (spurred by the agendas of the dominant corporate players) seem bent on using the talks and agreements to destroy farmers' collective-marketing agencies, such as the Canadian Wheat Board and our supply-management systems for poultry, eggs, and milk. Thus, global trade agreements are focused on the seemingly contradictory ends of destroying farmers' single-desk selling agencies and proliferating comparable single-desk powers for the dominant seed, gene, chemical, and veterinary drug companies. Monsanto's gene monopolies must be respected everywhere, while the Canadian Wheat Board's monopoly powers must be terminated.¹⁷

The reason given for attacking farmers' collective-marketing agencies? They create "market distortions." But with OPEC at one end of the agri-food chain and Wal-Mart at the other end, the task of eradicating market distortion would seem a daunting one. And with farmers' prices and profits at all-time lows and agribusiness prices and profits at all-time highs, the question is: In the virtuous crusade to rid our markets of all distortions, must our first task be to make farmers surrender their marketing agencies? Might we not better start with Monsanto's patents or OPEC's cartel? A cynic might even suggest that the surest way to predict whether a trade agreement will entrench or target a given "market distortion" would be to ask whether that distortion adds to or subtracts from the profitability of the world's dominant corporations.

Conclusion

Agribusiness corporations use a vast array of techniques to suppress competition and maximize their profits. This report documents their tremendous success: their profits are at record levels. But some policy makers and even some farmers may still resist the assertion that this aggressive extraction of revenues and profits causes the farm income crisis. Let's examine a few economic indicators:

- Canadian farmers operate in one of the richest, most stable food economies in the world;
- For over four decades, farmers have posted unmatched, economy-leading efficiency gains;
- Farmers' costs-per-unit are at record lows;
- Wages in the sector are at all-time lows (often zero, with farm families surviving on off-farm income);
- Per-acre, per-worker, and per-farm production are all at record highs;
- Canadian food exports (and worldwide demand for food imports) are at or near record highs;
- Global demand is at a record level (food consumption and spending in 2004 hit all-time highs);
- Supplies are tight and falling (we have drawn down global grain reserves by 42% in just six years);
- Global per-capita food production is *falling*, and it has been since 1980,¹⁸ and
- Non-agricultural food sources, such as fish, are also becoming scarcer.

Thus, amid record-high demand, economy-topping efficiency, record-low costs, and consumption outstripping production, farmers have posted their largest losses in history. And agribusiness corporations have posted their largest profits. These facts are compatible with only one explanation of

the farm crisis: the rewards of farmer productivity, efficiency, and cost-cutting are being seized by more-powerful players in the agri-food chain. Farmers are being plundered and liquidated.

Farmers' profits haven't just disappeared; they've been taken. The farm crisis didn't just happen; it was caused. The family farm isn't dying; it's being killed. And the perpetrations of this destruction are the agribusiness corporations who are using their market power to extract profits that would otherwise end up on our farms. Farmers can't make a living because agribusiness giants insist on making a killing.

Solutions?

This report paints a dire portrait of our family farms. Surprisingly, however, solutions are numerous and close at hand.

Because farmers are so productive and because world food supplies are very tight, small changes in policies could result in prosperity for farmers. Those interested in solutions should consult the following:

Rethinking US Agricultural Policy, Daryll E. Ray, Daniel G. De La Torre Ugarte, Kelly J. Tiller (September, 2003)

The Farm Crisis: Its Causes and Solutions, National Farmers Union (July 5, 2005)

Empowering Canadian Farmers in the Marketplace, Honourable Wayne Easter (July, 2005)

In the hope that our elected leaders will begin to speak the truth about the causes of the farm crisis, in the hope that those leaders will have the courage to act in accord with that truth, in the hope that agribusiness will be restrained from its plunder of our farms and communities, and on behalf of farm families around the world, respectfully submitted by the National Farmers Union.

- ¹ Farm revenue, expense, and net income numbers are from Statistics Canada; inflation adjustments are based on Statistics Canada's Consumer Price Indexes; and data on the number of farmers are from Statistics Canada's Censuses of Agriculture.
- ² Frank Roseman, *The Effects of Recent Volatility in International Petroleum Markets on Canadian Wholesale and Retail Gasoline Prices*, a report prepared for the Competition Bureau, p. 13. See also, the Market Share Matrix Project, www.marketsharematrix.org.
- ³ International Fertilizer Development Center (IFDC), *North American Fertilizer Capacity*, February 2005. See also, the Market Share Matrix Project, www.marketsharematrix.org.
- ⁴ Potash Corporation of Saskatchewan, *2004 Annual Report*, p. 2.
- ⁵ Richard Manning, *Against the Grain: How Agriculture has Hijacked Civilization*, pp. 144–145.
- ⁶ Canadian Grain Commission, *Grain Elevators in Canada*.
- ⁷ See the NFU's *The Farm Crisis, Bigger Farms, and the Myths of Competition and Efficiency* (November 20, 2003) or *The Farm Crisis: Its Causes and Solutions* (July 5, 2005), both available at www.nfu.ca.
- ⁸ Devlin Kuyek, *Stolen Seeds: The Privatization of Canada's Agricultural Biodiversity*, p. 10.
- ⁹ Richard Levins, *Willard Cochrane and the American Family Farm*, p. 8.
- ¹⁰ Centre for Food Safety, *Monsanto vs. US Farmers*.
- ¹¹ Rajendra Gurung and Les McCagg, Co-operatives Secretariat, Government of Canada, *Profile of Canadian Agricultural Co-operatives (1998–2002)*, January 2005
- ¹² Fred Tait, "Pork, Politics, and Power," in *Beyond Factory Farming*, Ervin, Holtlander, Qualman, and Sawa eds., pp. 39–58.
- ¹³ For a list of US trade actions against the CWB, see <http://www.cwb.ca/en/news/releases/2005/100505.jsp>.
- ¹⁴ Corn flakes prices from Statistics Canada's CANSIM database; corn prices provided by Agriculture and Agri-Food Canada, on request.
- ¹⁵ Professor Bob Stirling, University of Regina, delivered this insight in a speech to a NFU, November 25, 1999.
- ¹⁶ For more on captive supply, refer to the Pickett vs. IBP case. See <http://endcaptiveupply.lawoffice.com/>.
- ¹⁷ In the current World Trade Organization (WTO) trade talks, the United States, aided by the European Union, have pushed for and won concessions from the Canadian government that it will terminate the CWB's borrowing guarantees and that it will begin negotiations surrounding the possibility of terminating the CWB's "monopoly" selling powers (which would effectively terminate the CWB). Meanwhile, WTO mechanisms ensure that Trade Related Intellectual Property rights (TRIPs) are respected and enforced in all nations.
- ¹⁸ David and Marcia Pimentel, *Food, Energy, and Society*, p. xv.