Volume 55 Issue 2

March/April 2004

union farmer monthly

A Publication of the National Farmers Union, 2717 Wentz Avenue, Saskatoon, SK S7K 4B6
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Printed at St. Peter's Press, Muenster, SK

Farmers hit by BSE get part of a $995 million aid package

On March 22, Prime Minister Paul Martin and Agriculture Minister Bob Speller announced a $995 million farm aid package—with the bulk of the money targeted toward cattle farmers and feedlot owners. In an NFU news release the same day, Livestock Committee Chair Don Mills commented: "While farmers should thank taxpayers for this very significant support, we must also determine how we got to the point where one or two sick cows threaten the future of Canadian agriculture and necessitate billions in taxpayer-funded aid."

Mills pointed to two defects in the Canadian cattle production system: an over-reliance on export markets and the overwhelming market power of packers and retailers. Mills said: "We must not lose sight of the fact that farmers desperately require this taxpayer money because packers and retailers have pocketed Canadians' grocery store beef dollars instead of passing a fair portion back to farmers." He also cited Canada's ill-conceived plan to become ever more dependent on a single export market. "The Americans are countervailing our wheat, threatening to countervail our hogs, and have slammed the door on live cattle. And these are the rickety markets on which we stake the future prosperity of our family farms," said Mills.

While acknowledging the size of the federal contribution to farmers, Mills also pointed out the role that the federal government played in *creating* the current crisis. "To a significant extent, the federal government created the trap which sprang shut on farmers May 20, 2003," said Mills.

(continued on page 4…)

NFU co-sponsors BSE meetings in Alberta

With virtually no income for the past year, thousands of cow-calf farmers in western Canada are reeling from the effects of a market disaster that shows few signs of easing in the near future.

Despite the possibility of the American border reopening in May or June following the comment period announced recently by the U.S. Department of Agriculture, it is perhaps more likely the border will remain closed until at least after the U.S. Presidential election in November. Ever since a single case of Bovine Spongiform Encephalopathy (BSE) was discovered on an Alberta farm in May, 2003, the U.S. border has been

(continued on page 6…)

Inside this issue:

2003 farm income data disturbing

On February 6, 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, was almost *negative* $5 billion. "This is the most spectacular and damaging market failure in the history of Canadian agriculture," said NFU President Stewart Wells. (Please see back cover for more on this story and a graph of farm income.)

Wells disputed the official explanation that the crash was 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 very low prices, and many held cattle back from markets, overall livestock receipts were not that much different than those in 1999. "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.

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

Wells said that the net income wreck is the culmination of two decades of destructive government and corporate policies. 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."

— nfu —

U.S. loses CWB trade challenge at highest level

The United States initiated a World Trade Organization (WTO) dispute settlement case against the Canadian Wheat Board (CWB) on March 6, 2003. The U.S. claimed that the CWB was an unfair trader and that the Board did not market in a commercial manner. On February 10, 2004, the World Trade Organization (WTO) rejected U.S. claims and vindicated the CWB and Canadian farmers. The WTO case was the 11th U.S. attack on the CWB.

In an NFU news release, President Stewart Wells commented: "At the 'supreme court' of world trade, the U.S. lost its case. The WTO rejected all the charges against the CWB. The U.S. must cease its relentless and costly attacks against Canadian farmers."

Soon after "free trade" was implemented between Canada and the U.S. in 1989, the U.S. began a series of almost annual attacks on the CWB. "Our governments suggest that one of the primary benefits of trade and investment agreements is that they reduce disputes. Farmers know that the opposite is true," said Wells. The NFU has, on several occasions, requested that the Canadian government implement Trade Harassment Penalties as part of all existing and future trade agreements.

Whistleblower aids farmers. Now he needs our help.

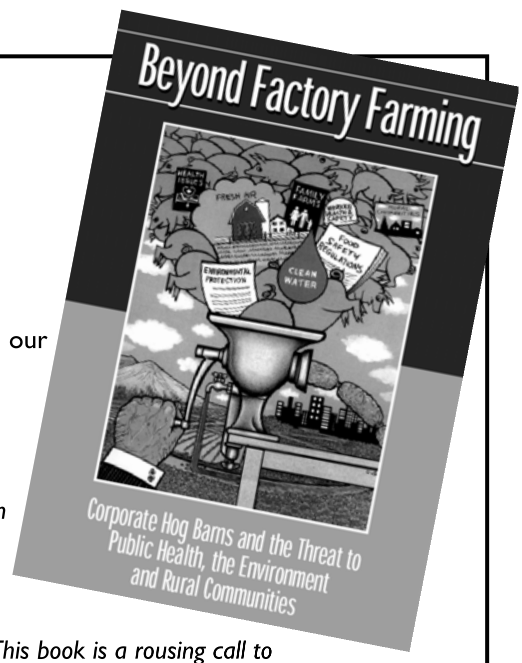
Dave Lewicki, formerly a grain inspector with the Canadian Grain Commission (CGC) ought to have received a reward for outstanding service as a public servant. Instead—as revealed in court documents—senior CGC managers denigrated his work and character, docked his pay, and passed him over for advancement. All this was done, it seems, because he explained in clear language how the many changes proposed by CGC senior managers would weaken the Grain Commission, cost farmers' money, and put more profit and power in the hands of grain companies. For his work on behalf of farmers, Dave Lewicki has paid a high price—in his career, his personal life, and financially.

Dave Lewicki has taken legal action to gain compensation for his treatment. He now needs help with his legal disbursements. Many of you have already sent a financial contribution toward Dave's legal fees. Dave has asked that the NFU pass on his heartfelt thanks. The NFU asks that others consider supporting him with donations. Donations of any size would help. Dave has committed to repaying donations of $50 or more from the proceeds of his anticipated legal settlement. Smaller amounts will be "repaid" by a donation to charity.

NFU Member Eduard Hiebert has volunteered to collect money for Dave and to keep track of donations. Please mail cheques to: Eduard Hiebert, 2186 HWY 26, St. Francis Xavier, Manitoba R4L 1B3.

Please make all cheques payable to Dave Lewicki

Excellent Book Available on Industrial Livestock Production



Last fall, the Canadian Centre for Policy Alternatives–Sask. Office published a collection of essays on factory farming. The book spans the distance form local struggles to stop individual barns all the way to the global realm where trade agreements and powerful corporations are restructuring farms, communities, and our food system.

Fred Tait, Manitoba farmer and NFU former Vice-President, in his essay in the book, states: *"The story of pork, politics, and power is the story of the corporate takeover of Canadian hog production and the effects of unrestrained economic power on governments and communities. The transnational-controlled hog mega-barns of today are just one example of the growing corporate control of agriculture in Canada…"*

Robert F. Kennedy, Jr., President of the Waterkeeper Alliance, has this to say: *"This book is a rousing call to arms and its relevance extends far beyond the farm. I wish it were required reading for every politician and every citizen in Canada and the United States."*.

"For some, especially those in government and agribusiness, the image of the corporate farm is one of clean efficiency. Behind this façade lies the grubby reality of unsafe working conditions, family farmers indentured through exploitive contracts, and a food production system that pays little attention to the environment of its community. Read this book to understand the reality too many face in the brave new world of rural North America"—Ken Larsen, Alberta NFU member.

The cost is $19.95 (GST included) plus $5.00 shipping & handling. **To order, send a cheque to CCPA-SK, 2717 Wentz Ave., Saskatoon, SK, S7K 4B6 or email ccpasask@sasktel.net**

(*$995 million aid package*, from page 1)

The federal government's $995 million will be distributed through three programs:

- $680 million to livestock farmers and feedlot owners on a per-head basis through the Transitional Industry Support Program;
- $250 million to all farmers based on five-year average eligible net sales (based on NISA data where available) through a "general transition payment"; and
- $65 million to those farmers who triggered a Canadian Farm Income Program (CFIP) payment for 2002 (the $65 million is being added so that the federal government can pay out 100% of farmers' claims).

The $680 million in Transitional Industry Support Program will be paid to feedlot owners and farmers who raise cattle and other ruminants. Farmers and feedlot owners with cattle will receive a payment of up to $80 per eligible animal on inventory as of December 31, 2003. Eligible animals will include all bovine animals except mature bulls and cows (cows that have calved and intact bulls older than one year). For producers of other ruminants, payments per animal will be up to the following amounts: Sheep-$16; Goats-$16; Bison-$80; Elk-$40; and Deer-$20.

On the positive side, the NFU is pleased that the federal government will not be requiring the provinces to cover 40% of the cost of this package.

On the negative side, the NFU is very disappointed that the government did not mention payment caps. Some large feedlots may have had up to 100,000 cattle on hand at December 31, 2003. "Canadian taxpayers who believe that they are saving family farms will be legitimately unhappy about $8 million cheques, especially if this money is simply snatched up by the banks and other creditors or passed on to packer partners," said Mills.

Mills also noted that with about 8.35 million cattle and significant numbers other ruminant livestock eligible under the program, there is a possibility that payments will have to be pro-rated. "Eight million dollar cheques to large feedlots will seem even less appropriate if a medium-sized cattle farmer has to watch his or her $5,000 payment pro-rated down to $4,000," said Mills.

Finally, Mills pointed to a looming problem that was not addressed by the government's March 22 announcement: the problem of a swelling herd of mature cows. "The number of mature cows is growing and the border will likely remain closed to these older animals for years to come. The government must come forward in the next few weeks with two things: aid to farmers struggling to feed and pasture additional culled cows; and *a plan* for moving those cattle off our farms—either to markets or to some other destination," said Mills.

The NFU continues to work diligently across Canada to deal with both the causes and effects of the BSE-triggered trade crisis. See other coverage in this issue.

— nfu —

NFU President addresses conference: outlines CAIS Program concerns

NFU President Stewart Wells addressed a conference of about 200 farmers, farm business managers, academics, and policy makers, February 3 in Saskatoon. The Canadian Agriculture Income Assistance Program (CAIS) Program "Update" conference was organized by the University of Saskatchewan Department of Agricultural Economics.

Wells reiterated the NFU's opposition to multi-million dollar CAIS Program payment caps. The NFU's views on this issue were reinforced by U of S Agricultural Economics Professor Ken Rosaasen who, during a separate presentation, confirmed that the CAIS Program structure will ultimately favour larger and more highly-specialized farm operations.

While the federal government and some provinces seem intent on raising CAIS Program caps to $3 million, reports from Alberta indicate that some large operations are pushing for "caps" set at $5 million!

(NFU co-sponsors BSE meetings, from page 1)

closed to the export of live animals for slaughter. And with only two packing companies, Tyson Foods and Cargill, controlling as much as 74% of the Canadian slaughter facilities, prices for calves, cull animals, and steers have been in the dumpster. At the same time, hundreds of millions of dollars in ad-hoc BSE aid programs from the federal and provincial governments have been funnelled away from farmers and into the pockets of the packing companies.

The situation is pushing thousands of cow-calf farmers and even feedlot operators to question their long-standing faith in a "free market" where packers and retailers are enjoying steady—often excessive—profits at the expense of the primary producer. Allegations raised in the Alberta legislature in late February that the two big packers benefited from $800 million in federal and provincial BSE aid money by manipulating prices paid to feedlots helped focus attention on the structure of the beef sector in Canada, and prompted the House of Commons Agriculture Committee to question packing company executives at a special hearing in Ottawa on March 10.

As part of its ongoing work to help deal with this crisis, the NFU took the lead in helping set up a series of nine community meetings across Alberta in late February and early March. These meetings provided farmers with an opportunity to see the big picture and weigh the evidence from all sides. The meetings were co-sponsored by the NFU and several county Agricultural Services Boards and attracted crowds that varied between 50 and 150 people. At Newbrook, February 24, over 100 people came from as far away as Athabasca, Lac La Biche and Westlock to voice their frustration and pass a resolution calling for testing of all cull animals over 30 months of age. The same resolution, as well as another one advocating the banning of all animal by-products in feedstuffs was passed again at meetings in Camrose, February 25, and Ponoka, February 26. About 80 people attended the Camrose meeting and 150 showed up in Ponoka. The issue of starting farmer-owned packing plants was also explored at these and subsequent meet-ings. A second round of meetings saw similar numbers turn out in Rimbey, March 8, Derwent, March 9, and Vegreville, March 10. The final two meetings: in Hanna, March 11, and Grande Prairie, March 13, saw attendance dip but discussion and interest remained high.

While representatives from the Alberta government and Alberta Beef Producers (Canadian Cattlemen's Association) focused on aid programs and trade efforts to reopen the border, NFU Coordinator Jan Slomp outlined the underlying causes of the crisis.

"Our present crisis is not just the result of a few terrible years of drought and a cow coming down with BSE," Slomp told the crowds at the meetings. "It is the combination of trade politics and a sick system of wealth extraction from farmers and rural communities. Drought and BSE are merely the straws that break the camel's back."

Farmers around the world are vigorously competing with each other to become the lowest-cost producer, while companies that supply inputs and process raw commodities are increasingly controlling larger and larger market shares. "The worldwide economy works very well for those that can control it," he stated.

Slomp said that it is imperative that the border be reopened to exports of live cattle, but "if we think this farm crisis is over when the border opens up, we are making a big mistake." Using a variety of graphs to illustrate his points, Slomp said that while farmers are the most efficient producers of wealth in the country, their net income has fallen dramatically while their costs have been steadily rising. The widening gap between costs and returns represents the wealth that is captured by input suppliers, packers, processors and retailers.

He said the low prices that cow-calf farmers are currently getting from the marketplace are a reflection of the control exercised by Tyson and Cargill. A jury in Alabama recently ruled that Tyson (then IBP) had manipulated market prices by periodically utilizing captive supplies from their own feedlots. Four major meat packers control 60 percent of the U.S. market. By comparison, the beef packing sector in Canada is far more concentrated in the hands of only two companies. Similarly, he added, the grocery retail sector in Canada is dominated by two companies: George Weston Foods and Sobey's.

Slomp concluded with a series of twelve proposals—both short- and long-term in nature —aimed at overcoming the crisis and bringing stability to the beef sector.

Farmers who came to the meetings snapped up the information offered by the NFU, and new memberships have been steadily coming in from those who realize the NFU is the organization that speaks on their behalf. — nfu —

NFU works to stop packer concentration

The NFU continues to work to stop Maple Leaf Food's proposed takeover of Schneider's. The merger would give Maple Leaf a virtual monopoly on hog slaughter in Manitoba and Saskatchewan and give it increased control over processing in Ontario and elsewhere.

In late February, NFU President Stewart Wells and Youth President Dave Lewington collaborated on a letter to members of the Senate Banking Committee asking them to support a bill that would make important amendments to Canada's *Competition Act*.

A recent Supreme Court decision effectively extinguished the Competition Bureau's ability to intervene in mergers by changing the way that "gains from efficiency" may be taken into account. The Supreme Court ruled that gains from efficiency need not be passed onto customers. Thus, even if a proposed merger decreases competition, the Competition Bureau would be unable to intervene in that merger if the merger would yield sufficient gains from efficiency, *even if those gains simply went into company coffers*.

Bill C-249, *An Act to amend the Competition Act*, would improve the framework within which the Bureau assesses mergers and efficiency gains. Such changes are vital if the Competition Bureau is to intervene in the Maple Leaf takeover. Wells and Lewington asked the Senators to pass Bill C-249 quickly.

— nfu —

Publication Agreement No. 40063391
Postage Paid at Muenster, Saskatchewan

Crash!

The graph below shows Canadian gross income, realized net income, and realized net income from the markets alone. It graphs those measures on a per-farm basis, adjusted for inflation, from 1947 to 2003. It reflects the federal government's February 6 projections of 2003 incomes. *(See page 2 for more on these projections.)*

Realized net income from the markets alone, net of government subsidies (heavy black line) fluctuated between $10,000 and $20,000 per farm for nearly 40 years, until the mid-1980s. At that time, it fell to near zero. Net income from the markets alone recovered a bit 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.*

The distance between the top and bottom lines in the graph below—the difference between "gross" and "net"—is equal to the amount of money that the average farmer pays to input manufacturers, banks, etc.

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.

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