Submission by the National Farmers Union Region 6 (Saskatchewan) On Selected Rural and Agricultural Issues to the Government of Saskatchewan

Regina, Sask. **February 21, 2005**

Introduction

The National Farmers Union welcomes this opportunity to bring the views of its family farm members to the Government of Saskatchewan. The NFU is a direct-membership, nation-wide organization made up entirely of farm families. It was founded in 1969 and chartered in 1970 under a Special Act of Parliament. The NFU and its predecessor organizations [the Saskatchewan Farmers Union, the United Farmers of Canada (Saskatchewan Section) and the Farmers Union of Canada (Saskatchewan Section)] have always worked to implement policies that help ensure agriculture is socially, economically and environmentally sustainable.

NFU members in Saskatchewan produce a wide range of commodities and believe the problems facing farmers are common problems, and that producers of various commodities must work together to advance effective solutions. The NFU believes that the pursuit of only individual self-interest leads inevitably to self-destruction.

Evidence is swiftly accumulating that the current high-input, export-oriented, expansionist model of agriculture is not sustainable. That evidence includes: the current farm income crisis, environmental problems such as global warming, the transfer of many sectors of our economy to foreign multinationals, crumbling infrastructure, the loss of farms, and the destruction of rural communities.

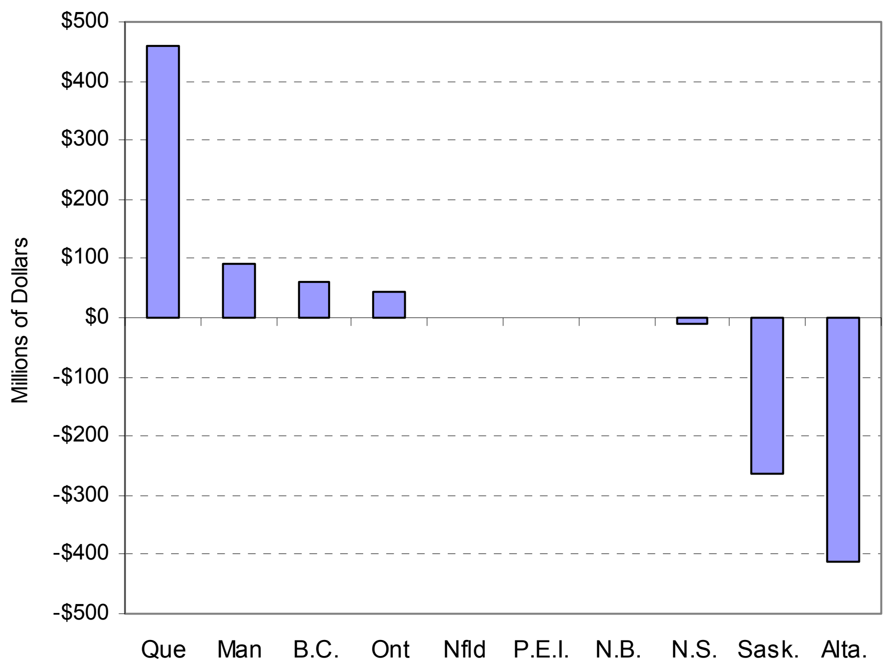
This brief will highlight some of the key issues confronting Saskatchewan family farms and rural communities, and advance solutions which the Saskatchewan Government may act on.

The Farm Income Crisis in Saskatchewan

In Saskatchewan, 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 Saskatchewan'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, Saskatchewan people have seen the ownership of our agricultural resources become concentrated in fewer and fewer hands. We have seen the demise of single-desk marketing agencies for cattle and hogs, and are currently fighting to retain the Canadian Wheat Board's single-desk marketing powers for wheat, barley and durum. Our rail transportation network has deteriorated to the point where service on branch lines for producer car shippers is almost non-existent. We have witnessed a corresponding acceleration in the pace of rural depopulation.

Saskatchewan people are currently celebrating the 100th anniversary of the founding of the 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 Saskatchewan's rural communities. Saskatchewan is second only to Alberta in recording the lowest net farm income among the Canadian provinces.[1]



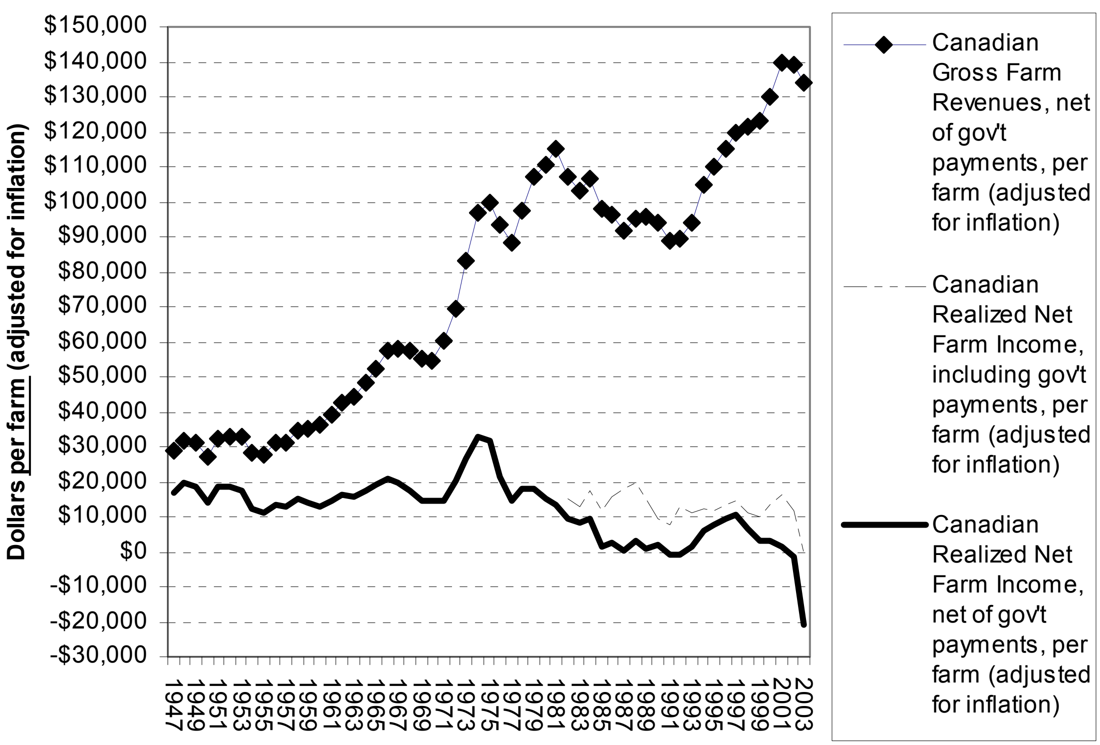
Saskatchewan's realized net farm income was negative $264 million, compared to Alberta's negative $412 million.

---

[1] Statistics Canada, "Net Farm Income 2003 (Revised), Thursday, November 25, 2004

The most recent estimates on farm income from Agriculture and Agri-Food Canada forecast some improvement for 2004 and 2005, but the picture for Saskatchewan remains bleak. Saskatchewan's realized net farm income for 2004 is predicted to be negative \$166 million for 2004 and an astounding negative \$486.4 million in 2005 – in spite of record government program payments of more than \$1 billion in both 2004 and 2005.[2]

This dismal picture cannot be attributed solely to the closed border, early frost, 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. In 2003, realized net farm income was negative \$28 million. Canadian average net farm income in 2003 was negative \$20,000 per farm! 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, distributors 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)

[2] Saskatchewan Farm cash receipts, expense and income, 2003 to 2005. Agriculture and Agri-Food Canada, February 17, 2005.

The worst aspect of this farm income crisis is that the statistics don't even take into account the labour of farmers or their families.

The NFU prepared a comprehensive brief entitled "Solving the Farm Crisis: a 16-point plan for Canadian farm and food security:" which we presented to the Hon. Wayne Easter during a hearing in Saskatoon January 20, 2005. A copy of that presentation is appended to this brief. In that document, we lay out a number of recommendations to solve the farm income crisis.

These recommendations include:
1. Guarantee farmers their costs of production
2. Set aside land and modulate grain supplies
3. Control the power and profits of input manufacturers
4. Help farmers adopt more sustainable practices to enable them to unhook from dependence on high-cost inputs
5. Modulate supplies of non-grain crops and meat
6. Expand orderly marketing agencies and supply management systems
7. Ban corporate farming and exercise increased control on contracting
8. Lower costs for transportation of western grain movement
9. Control supermarket and processor power
10. Mandatory labelling of food products to reveal the presence of GM foods and country of origin
11. Encourage organic and local food consumption
12. Implement intergenerational farm transfer programs
13. Support rural communities
14. Adopt food trade policies which refocus on domestic production rather than boosting exports at any cost
15. Adopt policies aimed at ending hunger in Canada
16. Include food and nutrition policies in the larger health policy

While the solutions to the farm income crisis must be implemented on a national scale, there are important steps the Saskatchewan Government can take to protect farmers' interests. Keeping farmers' costs at an appropriate level is a critically-important step.

Specifically, the National Farmers Union is requesting the support of the Saskatchewan Government in opposing four initiatives currently being pursued by the federal government. These initiatives involve re-regulation of Canada's seed industry to enhance the power of multinational seed companies to claim intellectual property rights protection while reducing public sector plant breeding research and eroding farmers' traditional ability to save seed on their own farm without paying excessive royalties.

The Assault on Public Plant Breeding

There are currently four initiatives which are undermining the seed system in Canada:

1. The federal government is preparing to amend Canada's Plant Breeders' Rights (PBR) Act to comply with or exceed the requirements of UPOV '91.[3]

2. The Seed Sector Review (SSR) – a narrow, industry-led initiative with generous funding and logistical support from the Canadian Food Inspection Agency (CFIA) and other government agencies – has published a blueprint for overhauling Canada's seed, grain quality and research systems.

3. The Government of Canada is planning to reduce research spending or to shift public research money away from areas such as seed variety development – turning variety development over to private seed/gene/chemical companies.

4. Monsanto, Bayer, Syngenta, Novartis and a handful of similar corporations are moving to increase their market power and decrease their competition through mergers, patenting, the expansion of seed contracting, and stronger PBR measures. Their consolidation over the industry is being facilitated by government moves to withdraw from agricultural research and extension work.

The NFU believes these initiatives will lead to the following outcomes:

1. Farmers will face increased interference in their rights to save and re-use seed because of the proliferation of patents, contracts, technical use agreements (TUAs) and more stringent PBR restrictions.

2. Farmers will pay an increasing share of seed development costs as the government continues to withdraw from research and plant breeding.[4] Recently, information on the extent of the cuts to Agriculture and Agri-Food Canada (AAFC) facilities and programs was leaked to journalists in western Canada. The AAFC suggests the public sector lacks the financial capacity to retain highly-skilled researchers, and will discontinue research programs through "normal attrition." Specifically, it will discontinue crop variety development research and refocus plant breeding efforts on "genetic enhancement and germplasm."[5] What this means is that taxpayers and farmers will continue to fund expensive public programs that do the hard work of basic research into germplasm development. Once the basic research is done, the germplasm is turned over to the private sector for final touches to the variety. The private company then, as owner of the intellectual property rights, is able to market the variety and collect the royalties.

---

[3] UPOV is an acronym for the Convention of the International union for the Protection of New Varieties of Plants. Canada's current PBR Act is based on the 1978 UPOV treaty, but some of our PBR Act provisions exceed the requirements of UPOV 78.

[4] Until the 1990s, seed development in Canada was public. Researchers on the public payroll at public universities and Ag Canada facilities developed new varieties to meet farmers' needs and then turned those varieties over to farmers at low cost. In the early 1980s, the public sector did 95% of plant breeding in Canada and 100% of breeding for cereal crops and oilseeds..

[5] "Putting Canada First: Strengthening Canadian science and innovation capacity for agriculture and food through partnerships. Powerpoint presentation by Len Edwards, AAFC Deputy Minister of Agriculture, Fall, 2004.

The AAFC document cites “a rust-out of research facilities and infrastructure that has fallen below current health, safety and building codes” as a primary excuse for dumping many of Canada’s most historically productive public research facilities. At the top of the list for abandonment is the Swift Current Research Station, followed by similar facilities in Winnipeg, Ste. Foy (Quebec), Charlottetown, St. John’s and Ottawa.[6]

The NFU recommends the Saskatchewan Government strongly urge the Federal Government to upgrade the Swift Current Research Station facilities and ensure that sufficient funding is made available immediately to the public research projects at the Swift Current Research Station.

Proposed amendments to the PBR Act

Amendments to the PBR Act are part of an overall strategy involving several pieces of legislation, including Bill C-27 (the CFIA Enforcement Act) and Bill C-28 (An Act to amend the Food and Drugs Act), to harmonize Canada’s regulatory system with that of the United States and other major trading partners.

Amendments to our PBR Act will almost certainly conform to the UPOV 91 convention. The new legislation will bear a striking resemblance to Bill C-80, an unsuccessful attempt made in 1999 to amend the PBR Act. The amendments will likely include the following:

1. “Rights” vs. “privileges”. New PBR legislation would give expanded “rights” to corporate seed developers and other “rights-holders” and provide the option of a farmer “privilege” to save and re-use seed. This provision is highly offensive to farmers.

2. The right to seize. The new PBR legislation will create a new provision in the form of “cascade rights” to give Monsanto and other giant seed companies the right to seize farmers’ crops. (Technically, the right would be to demand and enforce surrender, which, to farmers, is indistinguishable from seizure.)

3. Reverse onus. New PBR legislation would place the onus on farmers to prove lawful possession of protected varieties. The alternative is a costly court battle.

4. Rights to clean and possess. PBR amendments would “criminalize” seed cleaning and seed saving (the provision for “Farmer’s Privilege” would modify this within certain limitations). These restrictions, along with cascade rights, are the key changes that seed companies need in order to move to a system where farmers must pay royalties on farm-saved seed.

5. Farmer’s Privilege. A farmer’s privilege section will permit seed saving and re-use. But this will be temporary, and will be buried in an amendment package which emphasizes royalty-collection mechanisms for seed companies.

---

[6] “Putting Canada First” Strengthening Canadian science and innovation capacity for agriculture ad food through partnerships. Power Point Presentation by Len Edwards, AAFC Deputy Minister of Agriculture, Fall, 2004

6. Royalty grab. New PBR amendments will dramatically increase the volume of seed that companies can collect royalties on when a farmer is found in violation of the PBR Act.

7. Duration of royalties. It is almost certain that any amended PBR Act will increase the royalty protection period from the current 18 years to 20 and 25 years.

8. The end of breeding programs for public varieties. Conforming to UPOV 91 will enhance the profitability of seed companies that introduce new varieties protected under intellectual property rights. The withdrawal of funding from public plant breeding programs creates a vacuum that will be filled by private sector seed companies.

The benefits and costs of these changes to the plant breeding regime can be summed up as follows:

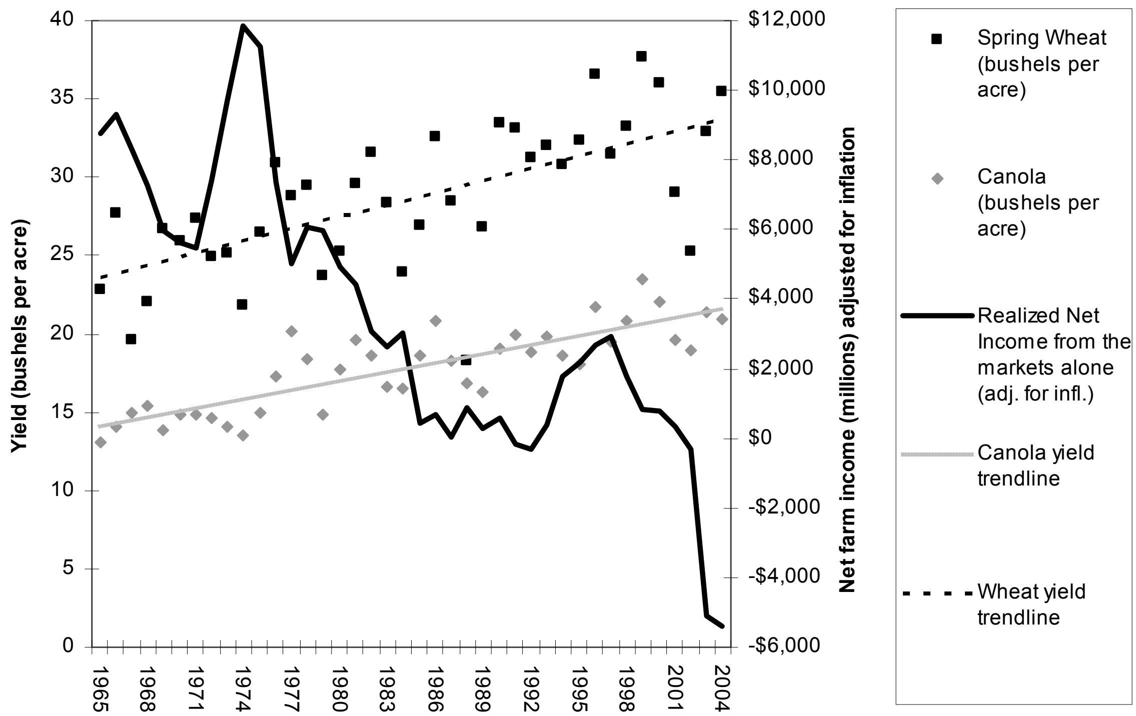
For seed corporations:
♦ Longer royalty collection periods
♦ The ability to collect on more bushels
♦ Suppression of competition from other companies
♦ Reduction in competition from public breeding
♦ The beginning-of-the-end of farmers' right to save seed
♦ Legislation that can facilitate royalty collection on saved seed
♦ Powerful new royalty-extraction tools
♦ The power to seize crops
♦ Higher profits

For farmers:
♦ More varieties
♦ Higher costs
♦ Increased risk

Clearly, while the benefits to seed companies are considerable, the only potential benefit for farmers is access to new varieties (for which they would pay increasingly high prices) that may or may not perform substantially better than existing varieties. The amendments to this legislation are promoted as the tools for encouraging "innovation" by private plant breeders.

The problem is that historically, the introduction of new varieties with increased yields has not translated into increased realized net farm income for farmers. It is true that their gross incomes may rise because of increased production, but their costs, including the cost of seed and related expenses like Technology Use Agreements, have risen at a faster rate.

The following graph illustrates the relationship between seed yield and net farm income between 1965 and 2004. Seed yield and net farm income have moved in opposite directions over the past forty years. We are not suggesting that rising yields lead to overproduction which causes farm incomes to fall. We are simply pointing out that higher yielding crop varieties do not necessarily lead to increased net farm income.[7]



Sources: Yield data provided by Agriculture and Agri-Food Canada. Income data from Statistics Canada.

The proposed amendments to the PBR Act will accelerate the farm income crisis by adding significantly to farmers' costs. A relative handful of powerful multinational seed companies already control the majority of the global trade, and proposed legislative and regulatory changes underway in Canada will further consolidate the excessive market power of these companies. Seed companies, like fertilizer, machinery and other input suppliers, will continue to use their market power to extract more than 100% of the benefits their new technologies provide, thus capturing the wealth that is produced on the farm and driving net farm income down.

The National Farmers Union strongly recommends the Saskatchewan Government oppose any changes to the Plant Breeders' Rights Act which will undermine farmers' traditional right to save and re-use seed and which increase farmers' seed costs.

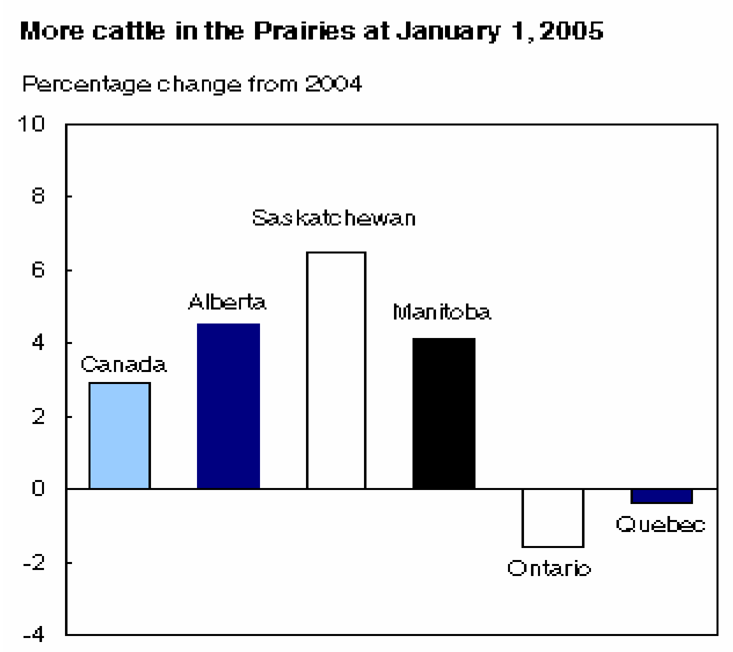
The NFU further recommends the Saskatchewan Government continue to fund cooperative seed variety trials to ensure objective data is available to farmers.

[7] National Farmers Union submission to Hon. Andrew Mitchell, Minister of Agriculture and Agri-Food, January 14, 2005. Saskatoon, SK

BSE and the ongoing livestock crisis

Earlier this year, the United States announced it will begin allowing imports of live cattle under the age of 30 months from Canada. But the re-opening of the border will not end the crisis in the Canadian livestock sector. The BSE crisis has taken a heavy toll on family farms in Saskatchewan, and provides clear evidence that the western provinces, and Canada as a whole, must rebuild its independent meat slaughter and processing capacity, reduce the overdependence on foreign-owned multinationals, and develop new domestic and export markets for high-quality products. Saskatchewan is desperately in need of additional processing capacity to handle the massive surplus of older cows that has accumulated since May, 2003. With the new crop of calves coming onto the market over the next year, the ability of the province's farmers to continue feeding these older animals is extremely limited.

As of January 1, 2005, Saskatchewan's cattle herd was estimated at over 3 million head, a substantial increase over the 2.85 million head a year earlier. In fact, Saskatchewan's cattle herd rose 6.5% from 2004, the biggest increase of any province in Canada, including Alberta.[8] The costs of managing these larger herds rest entirely on the individual farmer. This fact is underlined by the admission that cow-calf operators in Saskatchewan are holding 8.6% more cattle this year than last. Nationally, cow-calf operators are carrying 16.9% more animals than two years ago. As of January 1, 2005, there were 9.5 million head of cattle on cow-calf operations across Canada.[9]

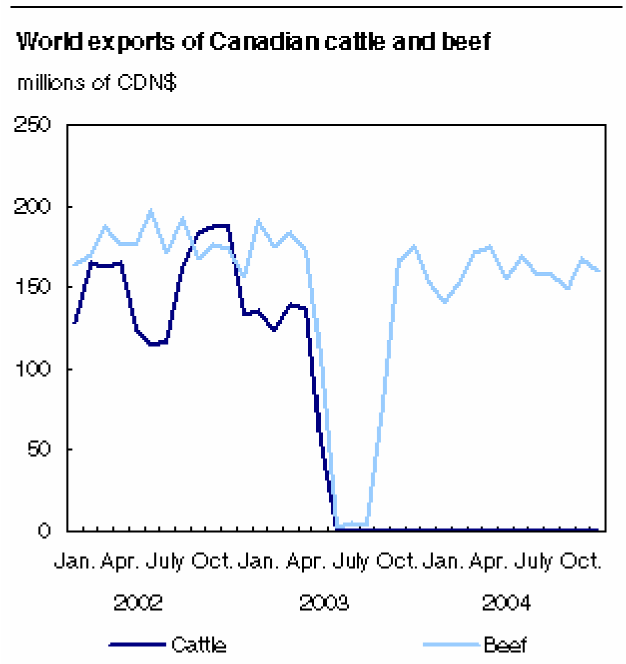


The over-dependence on the US market has led to the disappearance of Saskatchewan-based meat processing plants as two American-owned giants, Tyson and Cargill, have

[8] Livestock Estimates, "The Daily", Statistics Canada, Thursday, February 17, 2005. www.statcan.ca/Daily/English/050217/d050217b.htm
[9] Livestock Estimates, ibid.

concentrated their operations in southern Alberta. These two companies control over 70% of the Canadian packing capacity. 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.[10]

The domination of the market by a small number of companies has 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 US 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. Cattle prices declined while retail beef prices continued to rise.[11]

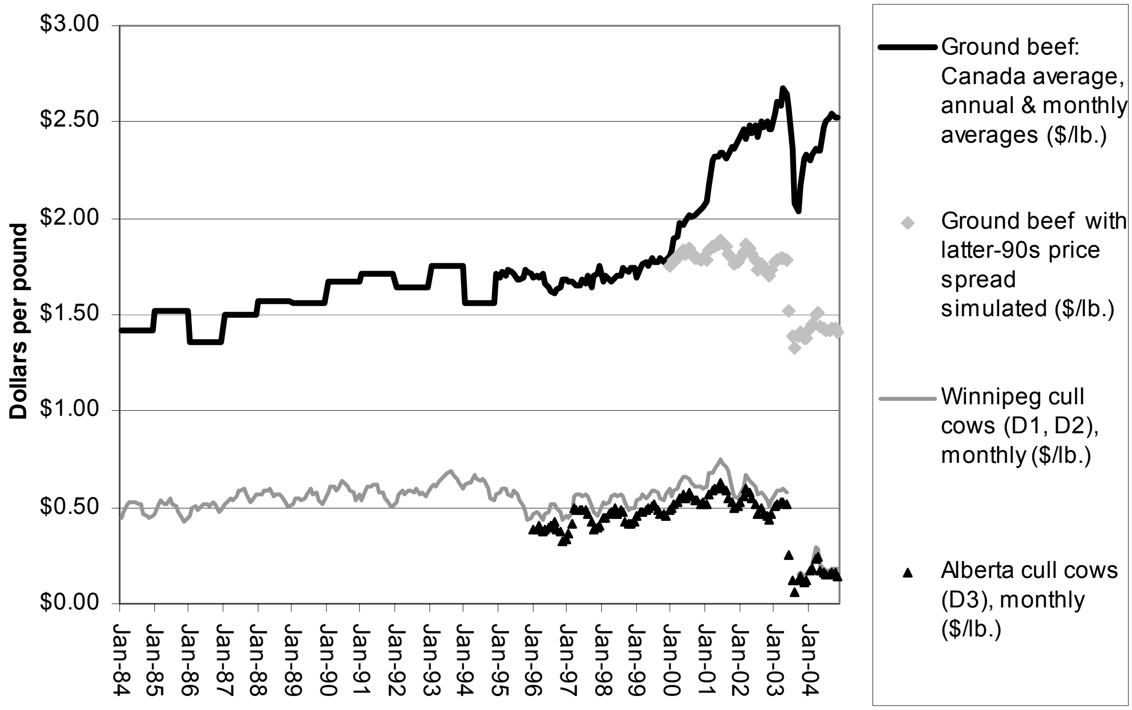


(Source: Statistics Canada, "The Daily" – Livestock Estimates, Thursday, Feb 17, 2005)

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

[10] Oligopoly Watch, "Big Beef", October 4, 2003. 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).
[11] BMO Industry Update, Impact of mad Cow Disease on the Cattle-Beef Sector, November 29, 2004

selling for an average of $2.50 per pound, while Alberta D3 cull cows are selling for a few pennies a pound.[12]



The high price spread between cattle prices and beef prices illustrates that if the traditional price spread had remained constant, hamburger prices would be approximately $1 lower than they currently are.

In Quebec, 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 US-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 Saskatchewan, step up to the plate and match what Quebec has done. ***The NFU recommends that the Government of Saskatchewan work with the federal government to establish a livestock checkoff to raise money to construct independent and cooperatively-owned Canadian livestock slaughter and processing facilities. The Saskatchewan Government should also set up interim bridge financing to enable these independent plants to get up and running as quickly as possible.***

[12] National Farmers Union Day of Action at the Alberta Legislature, Thursday, December 16, 2004.

Pressure for amalgamation and consolidation in rural Saskatchewan

The pressure being exerted on rural Saskatchewan to consolidate administrative boundaries, school divisions and other public services is related to the continuing economic pressures that have depopulated smaller communities for several decades. The loss of rail branchlines, elevators, small businesses, health care facilities and other infrastructure in rural parts of the province has contributed in no small way to a deterioration in the quality of life for many residents. This "rusting-out" of rural Saskatchewan's infrastructure provides physical evidence of the extraction of wealth from rural communities by corporations.

There is a tremendous amount of wealth generated in this agriculturally-rich province thanks to the labour and management skills of farm families. If farmers were able to retain more of that wealth in their own hands, the rate of decline of rural communities would be slowed considerably. Unfortunately, rural development strategies based on environmentally-sustainable practices and the revitalization of the family farm are often dismissed as unworkable.

Rather than implement policies such as single-desk selling for livestock which allow farmers to regain market power to offset the economic clout of large corporations, there is a trend among senior levels of government to accept the "inevitable" consolidation of capital and resources in the hands of large corporations. Economic development strategies which rely on mega-projects requiring substantial government subsidies and the injection of outside capital are promoted as the only alternative. ***The Saskatchewan Government appears to have adopted this ill-advised option as its model for development.***

The government's policy of encouraging intensive livestock operations, ethanol production, and other water-intensive and capital-intensive industries which rely on cheap grain cannot sustain the economy, rural communities or the environment in the long run. Rather, policies which bolster family farms as the foundation for the food production system offer the greatest potential for long-term sustainability.
The NFU is concerned that new legislation and regulations being introduced by the provincial government will accelerate the destruction of rural communities. The directives to rural municipalities, school divisions and other local governance bodies clearly point to further amalgamation and consolidation. ***The most disturbing element in these directives, however, is the underlying push for less local decision-making powers.*** At the present time, the large number of local governing bodies provides an infrastructure which allows local people to have significant influence on decisions which have a direct impact on them. Rural municipalities, for example, can implement bylaws which take into account site-specific environmental concerns. A province-wide standard bylaw on intensive livestock operations may be more amenable to a factory hog-barn investor, but it would be unable to accommodate the needs of the local environment or the local community.

The Saskatchewan Government is currently engaged in a round of public consultations on Bill 81 - The Municipalities Act. Bill 81 was introduced during the fall 2004 session of the Legislature where it was debated but not adopted. ***The NFU welcomes the decision to hold additional public consultations on the legislation across Saskatchewan.***

While we have not had the opportunity to explore the full implications of Bill 81, there are several sections of concern which we would like to flag.

1. Section 53: Restructuring of Municipalities

This section contains provisions which allow for the "voluntary" restructuring of municipalities. This includes merging or amalgamating with another municipality or municipalities – whether urban or rural, boundary alteration or dissolution and incorporation into a surrounding municipality. While the municipality is required to hold a public meeting on the issue, and also has the option of holding a vote among ratepayers, there is no obligation for the municipality to accept the results of the optional vote as binding.

2. Sections 119 – 120: Open and Closed Council Meetings

The proposed Municipalities Act significantly alters the criteria governing when a council or council committee may close a meeting to the public and meet "in-camera." Under the present acts, the entire council must meet as a "committee of the whole" to determine whether it is in the public interest to close the doors to the public. The public therefore has access to the Council's reasons for barring them access.

But under the proposed section, no fewer than eleven categories are deemed to be "confidential" matters which the public may not be allowed to see.[13] These include:

♦ information obtained in confidence either implicitly or explicitly from another government;
♦ information which could interfere or prejudice law enforcement or any lawful investigation or information that is subject to solicitor-client privilege;
♦ information regarding a draft bylaw or resolution;
♦ in-camera agendas or deliberations or deliberations that include personal information (includes financial, tax, health, family status, religion, criminal information);
♦ information that contains advice, proposals, recommendations, analysis or policy options;
♦ consultations or deliberations involving officers or employees and plans involving personnel;
♦ positions, plans or procedures for contractual or other negotiations;
♦ information which may disclose a pending policy or budgetary decision;
♦ information which could prejudice the economic interest of the local authority;

[13] Overview of new legislation for Urban and Rural Municipalities (Proposed Municipalities Act), Saskatchewan Government Relations, December, 2004

♦ information which could be expected to result in an undue benefit or loss to a person or threaten the health and safety of a person; and
♦ information supplied in confidence by a third party, trade secrets, financial accounts, or that could prejudice the competitive position or result in financial loss or gain to the third party.

These provisions clearly provide considerable protection to third-party commercial interests at the expense of local ratepayers. The NFU strongly recommends that these be withdrawn.

Rail Transportation and Farmer Rail Car Coalition

The National Farmers Union, as a founding member of the Farmer Rail Car Coalition, would like to extend a sincere thanks to the Saskatchewan Government for its ongoing support of the Coalition. In addition to a large financial contribution, the provincial government has also supported the coalition's efforts by allowing Saskatchewan Grain Car Corporation staff to provide technical advice and other assistance.

A decision on the FRCC's bid to obtain the fleet of federally-owned hopper cars appears imminent. If the FRCC is awarded the cars, however, it will take several months before the farmer-owned leasing agency can become fully operational and obtain the necessary credit arrangements with financial institutions. In the interim, ***it is vital that the Saskatchewan government continue to offer its support to this project by providing bridge financing and legal advice.***

The demise of the rail transportation network in Saskatchewan is having a profoundly negative effect on family farms and rural communities. In 1970, western Canada had 4,984 elevators. Today, only 405 remain.[14] At the same time, grain production has increased approximately 150%. Despite the efficiencies gained by railway and grain companies by the consolidation of their facilities, farmers are paying increasing costs for railway freight, elevator tariffs, on-farm storage and trucking. In addition, increased reliance on primary and secondary roads leads to increased taxes for all residents of Saskatchewan, including farmers.

The NFU recommends the Government of Saskatchewan exercise its rights under the Canadian Transportation Act (CTA) and purchase all rail lines in Saskatchewan scheduled for abandonment and destruction. The province could accumulate branchlines for several years. This would have several benefits:
♦ Communities, co-ops, or regional railways would have a better chance of starting a shortline operation on a network of lines rather than trying to start an individual shortline on each chunk of track that becomes available;

[14] Monitoring the Canadian Grain Handling and Transportation System, 3rd Quarter report – 2003-04 crop year, Quorum Corporation, August 2004

♦ The province could lease track to shortlines. Communities could more easily set up shortlines if the task of startup was separated from the task of raising millions of dollars to buy track; and
♦ The announcement of such a plan would likely slow abandonment.

In addition to branchlines, farmers need loading facilities. Some farmers may choose to build their own and, minimally, they need regulatory structures that allow them to do so. If farmers are to build their own facilities, access to sidings is essential. Currently, railways are destroying sidings at an alarming rate. And where sidings do exist, farmers have difficulty gaining permission to build along them.

The NFU recommends the provincial government pressure the federal government to stop CN and CP from tearing up sidings.

Industrial hog production

The industrial hog production system being set up in Saskatchewan is not viable economically or environmentally. Family farms are being displaced by the vertically-integrated system of production which is dominated by Maple Leaf Foods. Instead of independently-owned and operated family farms, hog production is now done almost exclusively on a contract basis, where farmers are tied to the production and price levels set by Maple Leaf and its subsidiary, Mitchell's Gourmet Foods.

Farmers are under pressure to take lower prices or risk losing contracts with Maple Leaf. The number of family farm hog producers has fallen while the number of industrial hog barns has increased. Yet the financial bottom line for the industrial hog barns is abysmal. Recently, a court dispute between Community Pork Ventures and Quadra Group, which managed the 16 industrial hog barns owned by Community Pork, resulted in layoffs to 31 Quadra employees. Twelve of the hog barns are 600-sow farrow-to-finish facilities and four are 1200-sow operations. Financial institutions are owed approximately $38 million by Community Pork, which is currently under a forbearance agreement while it reorganizes its affairs.

Across Saskatchewan, NFU members are actively engaged in the fight against corporate hog factories that destroy family farms. Environmentally, water pollution from hog factories is a significant concern. In addition to the financial risks farmers take on when entering into a contract with Maple Leaf Foods, there are also significant health risks that are only now being recognized. Recently, the Canadian Medical Association asked the federal Minister of Health to "impose a moratorium on the expansion of industrial hog farms until attendant health risks are determined through scientific assessment." (CBC, August 22, 2002).

The NFU proposes a number of initiatives that will allow farmer and communities to regain control of hog production in Saskatchewan:
1. Reinstate Single-Desk Selling of hogs;

2. Bring in legislation such as Nebraska's Initiative 101. This legislation prevents non-residents and corporations from farming;
3. Adopt alternative methods of production, such as hooped housing, with dry manure systems. These dry manure systems pose less of a threat to the environment.
4. Eliminate the non-therapeutic use of drugs. In addition, the practice of feeding animal by-products to animals must also be eliminated.
5. Large, industrial hog factories should be subject to a through environmental assessment and review by an independent third party agency.
6. The workers in hog factories should be included in the labour codes of the Province of Saskatchewan.

Support for co-operatives

The co-operative sector has historically been a mainstay of the provincial economy, particularly in rural communities. Strong co-ops allowed farmers to exert substantial market power and were instrumental in bringing stability to family farms. Government support for the co-op sector was strong from the 1920s to the 1970s. Since the early 1990s, however, government support for co-operative principles and enterprises has fallen drastically short of what is needed. This was particularly evident in 1994-95 when the government facilitated the demise of the co-operative structure of Saskatchewan Wheat Pool. At that time, the province could have refused to change the Saskatchewan Wheat Pool Act, thereby forcing the management of SWP to hold a membership-wide vote on whether to allow its shares to be traded on the Toronto Stock Exchange. ***The Government of Saskatchewan must accept direct responsibility for the current plight of the SWP Class A shareholders. The provincial government must protect those farmer-shareholders from any court actions launched against them by SWP.***

Ethanol expansion questionable

The Saskatchewan government adopted a policy in 2002 aimed at encouraging the expansion of the ethanol industry in Saskatchewan. At that time, provincial ethanol production stood at approximately 12 million litres annually. The government announced its intentions to increase production to 400 million litres per year.[15] Generous subsidies have also been provided to the industry, and in its Greenprint for Ethanol Production, Industry and Resources boasts of Saskatchewan's low-cost advantages. The Greenprint suggests ethanol will benefit Saskatchewan's farmers: "Farmers have endured low prices and international subsidies for many years. Ethanol will create a new market for grain production. Developing this industry will assist our province's grain producers by sustaining or expanding farm incomes with new market opportunities."

But as the statistics contained earlier in this brief prove, increased exports have not led to increases in realized net farm income. The certainty that the ethanol industry will purchase grain locally is not borne out by the practices of ethanol plants in Ontario,

[15] Greenprint for Ethanol Production in Saskatchewan. April, 2002, Saskatchewan Industry and Resources, www.ir.gov.sk.ca

which are importing cheap US corn to convert to ethanol while denying markets to Ontario farmers. The ethanol industry contributes to the downward pressure on grain prices, and when combined with large-scale feedlot operations whose profit margins also depend on cheap feed grain, the lucrative market opportunities promised for grain growers are largely an illusion.

Ethanol expansion achieves no public policy objective for the following reasons:
1. Energy balance. More energy is expended growing the crop, transporting it, and manufacturing it than the ethanol provides.
2. Ethanol puts more $C0^2$ in the air than gasoline or diesel.
3. Ethanol subsidies are roughly equivalent to the outright purchase of a similar amount of gasoline.
4. The cost of jobs in the ethanol manufacturing industry is excessive. In Manitoba the cost of each job is estimated to be about $700,000 per year.
5. Ethanol burned as a fuel blend seriously pollutes the air, emitting more nitrogen oxides, acetaldehyde, and peroxy-acetyl-nitrate.
6. Ethanol plants are subsidized food-burners.
7. Ethanol plants are large users of precious freshwater resources, and produce large amounts of nutrient-rich waste water.[16]

The NFU recommends the Saskatchewan government reverse its policy of expanding ethanol production.

Conclusion

As family farmers in Saskatchewan gear up for spring seeding, there is a decided lack of optimism out in rural communities. Given the poor outlook for prices of grains and oilseeds, as well as the ongoing uncertainty in the livestock sector, many farmers across the province are increasingly convinced that there must be fundamental changes in the way agricultural policy is designed. The emphasis on increasing production and exports by sacrificing prices at the farm gate has fuelled a "race to the bottom" in the global marketplace. Family farmers need policies which allow them to reclaim their fair share from the marketplace, and which allow rural communities to retain their fair share of the wealth which they generate.

All of which is respectfully submitted
By the
National Farmers Union
Region 6 (Saskatchewan)

[16] National Farmers Union submission to the Government of Manitoba, April 15, 2004. Winnipeg, Manitoba