



World food prices: How high are they? How did they get there? And where might they be going?

Some fresh data and a new look.

Union Farmer Monthly readers have seen articles in these pages showing that recent grain and oilseed prices, while higher than the depressed prices of the 1985-2005 period, are not high by historical standards. This article covers some of that ground, but it does so while highlighting conclusions and graphs from an upcoming report by the OECD and the UN FAO. This article also features graphs taken from the recently released UN June 2008 *Food Outlook*.

On July 25, 2008, the United Nations (UN) Food and Agriculture Organization (FAO), in collaboration with the Organization for Economic Cooperation and Development (OECD), will release its *Agricultural Outlook 2008-2017*. That 230-page report will detail projections of world food production and consumption and prices for the upcoming decade. Many of the following graphs and excerpts are taken from a “Highlights” pre-release summary document available at <http://www.agri-outlook.org/dataoecd/54/15/40715381.pdf>.

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Redundant trade, and the local food alternative

This article is by Terran Giacomini. In 2007, Terran took the initiative and secured funding to allow her to work with the NFU. For the past several months, Terran has been focusing on local food. To contact Terran, email terrangiaco@gmail.com.

The past two decades have seen a drastic increase in global trade. Concurrent with the increase in trade are calls for action to drastically reduce the greenhouse gas (GHG) emissions associated with burning fossil fuels.

Against this background, countries in the North and South continue to promote increased trade as the way toward economic growth and prosperity for all. We are told that free trade will help countries create a food system that meets the needs and wants of their people most efficiently. But a growing tide of unnecessary trade calls such promises into question.

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NFU 39TH ANNUAL CONVENTION

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Ritz rigging elections

The federal government's early 2007 barley plebiscite lacked virtually every safeguard necessary for a free and fair vote: public voters' lists, affected-party scrutineers, election spending reports and controls, guaranteed ballot secrecy, and a clear question.

During the 2006 CWB Directors elections, mid-way through the voting period, the government moved to cut 16,000 farmers from the list of those who would receive ballots.

Now, the government is at it again, introducing legislation, Bill C-57, designed to twist votes and engineer elections to deliver the outcomes the government wants.

In a news release, NFU President Stewart Wells said: "The Conservative government broke the law when they disenfranchised thousands of voters in the middle of an ongoing election in the last CWB Director elections. But now that farmers have organized and have proven in court that the government can be stopped from breaking Canadian laws, Ritz knows that what the government did in 2006 would not be tolerated by farmers now. So, the government's solution is to disenfranchise farmers with Bill C-57 rather than the stroke of the Minister's pen during the election."

Many of the voters that Ritz would disenfranchise with his new attack are farmers/landlords who have a legitimate financial interest in how their grain is marketed. It has been common in the past decade for some farmers to rent out their land, and then continue to work the land for the new renter. Especially if these agreements have been made on a crop-share basis, the new "landlords" have a legitimate financial interest in maximizing their returns through efficient operations of the CWB.

Ritz's Bill C-57 also introduces "size-creep", wherein farmers must produce a certain amount of grain in order to remain eligible to vote. The legislation sets the bar at 4000 to 5000 bushels. It says that voters must be "actual producers who produced at least 120 tonnes of grain in either of the two previous completed crop years." So all farmers are equal, but some are more equal than others. This concept will be intended to appease those anti-CWB people who would like to see "weighted balloting"—where voters would have multiple votes depending on the number of bushels they produce.

In circumstances of consecutive hail/drought/flood disasters even more farmers will be disenfranchised, as was the case in the 2006 elections. Further, setting a size-cutoff may disproportionately disenfranchise farm women and youth—many of whom are active partners in the farm operation but have limited land-bases or marketing volumes. A farm family—husband, wife, and a teenage son, for instance—may all work on a mixed farm raising cattle and grain. They may split the land and the grain sales for various reasons. The farm net income might be several hundred-thousand dollars. Total grain production may be 10,000 to 15,000 bushels per year. All might have permit books. None of those farmers will get a vote if Ritz's Bill C-57 passes.

Wells reacted to Ritz's claims that his new legislation would increase farmer control. "Ritz's rhetoric is absolutely disingenuous," continued Wells. "If Ritz really wanted to enhance farmer control of the CWB, his government would not have fired Adrian Measner (the previous CEO who enjoyed the support of the CWB Board of Directors), his government would not keep appointing ex-grain company executives and anti-CWB farmers to the CWB Board of Directors, his government would not have tried to end the CWB's barley marketing advantage through a secret Cabinet Order, his government would not have appealed the Federal Court's decision on the legalities of the secret Cabinet Order, his government would not have placed a "gag order" on the CWB, his government would not have introduced Bill C-46 which would again allow the government to remove barley marketing by secret Cabinet Order and paralyze Board marketing of wheat and durum, and his government would not have repeatedly attempted to breach the Privacy Act of Canada by trying to get personal and confidential financial information about farmers trying to sell grain through the CWB.

Wells concluded, "If Ritz was truly serious about farmers controlling their own marketing institution, he would:

1. continue having "actual producers" and "producers" vote in CWB elections;
2. require that sitting CWB directors maintain their status as "actual producers";
3. give the elected farmer Board members the power to appoint the remaining five Board members according to their area of expertise;
4. stop appointing ex-grain company executives to the CWB Board of Directors and draw clear distinctions about how closely farmers can be tied to grain/seed companies and still sit on the CWB Board of Directors; and
5. stop trying to control the day-to-day operations of the CWB from government offices in Ottawa." —nfu—

Ethanol: the zero-point-seven-percent solution

NFU Director of Research Darrin Qualman recently participated in a multi-city speaking tour on agrofuels—large-scale production of ethanol and biodiesel from grains, oilseeds, and agricultural “waste-products” (straw and stover). Qualman, Pat Mooney, and representatives from the global South, Javiera Rulli and Ditdit Pelegrina, spoke in Saskatoon, Winnipeg, and Ottawa. There were also events in other cities.

In the face of overblown promotions from government and industry and a failure to connect-the-dots on the part of many media, the NFU has been a leader in helping farmers and other Canadians prepare a more balanced analysis of the costs and benefits of agrofuels. Most often, the costs are large and the benefits surprisingly small. Here’s an example.

According to many who have studied ethanol, it takes more energy to produce ethanol than we gain back when we burn it. But let’s forget we know that. To begin to see the folly of massive-scale ethanol development, one does not have to accept the ideas and calculations of respected professors such as Dr. Tad Patzek or Dr. David Pimentel. The pointlessness of large-scale ethanol becomes apparent using the promoters’ own numbers.

According to a large number of papers by ethanol supporters (Shapouriet et al, Natural Resources Canada, Wang, Agriculture Canada, etc.), the energy balance for ethanol is in the range of 1.1:1 to 1.3:1, with a consensus emerging around 1.2:1. (The technical term is “energy returned on energy invested” or EROEI.)

What does an energy balance of 1.2:1 mean? It means that for every unit of fossil fuel energy you put into producing ethanol (in making fertilizer, in farmers’ fields, in ethanol plants, etc.) you get back 1.2 units—a net gain of 20%. Many top analysts disagree strongly that such a gain exists, and recent reports on the CO₂ emissions that result from deforestation (that comes as a direct or indirect result of expanded ethanol and biodiesel crop acreage) threaten to destroy claims that agrofuels provide any emission or environmental benefits. But, again, let’s forget all that and proceed with only the figures provided by the proponents. Let’s accept a best case scenario.

Okay, so we have an energy balance like this: one unit of fossil fuel energy in produces 1.2 units of ethanol energy out. What does this mean in practice? Well, Canada is in the process of mandating that auto fuel must soon contain 5% ethanol by volume (Bill C-33 has passed third reading in the House of Commons and is now before the Senate). On the face of it, we are going to replace 5% of our fossil fuels (gasoline) with “renewable fuels” (ethanol).

But not so fast. This is where the energy balance comes in. Because that ethanol—let’s call it 5 units—takes some fossil fuel to produce. How much fossil fuel does it take to produce those five units of ethanol? Just over 4 units. (The math is this: $5 \div 1.2$.) And when you account for those 4 units of fossil fuel that went into making the 5 units of ethanol, you find that a 5% ethanol mandate does not really displace 5% of the fossil fuel in your gas tank: it displaces just 1% (5 units minus 4 units, or 5% minus 4%).

But it’s even worse than that. Because that 1% ethanol is by volume—essentially, one gallon out of every 100 in your tank. And if the energy density of ethanol were the same as in gasoline (if there were the same number of BTUs or Megajoules per gallon or per litre), then you actually would have a 1% gain. But the energy density is not the same. A gallon of ethanol contains only 70% as much energy as a gallon of gasoline. Therefore, a 5% ethanol mandate for Canada does not replace 5% of the fossil fuels we burn in our automobiles. It does not even replace 1%. It replaces 0.7%—seven-tenths-of-one-percent.

Surely an advanced nation such as Canada can find creative ways to cut fossil fuel consumption by a paltry 0.7% without triggering the food price run-ups that many have attributed to ethanol. Surely we can find alternative ways to make that 0.7% gain that does not require billions in taxpayer spending—subsidies to Archer Daniels Midland, Husky Oil, and others. Surely we can find ways to increase our fuel efficiency by less than 1% that don’t lay us open to charges of “burning food” in a world where nearly 1 billion go hungry.

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(*Ethanol*, from page 3)

What would it take to reduce Canadian gasoline use by 0.7%? An average driving speed of 1 mph slower would do it. Cutting back by one driving trip in every 142 would do it. Just keeping our tires properly inflated would do it; proper tire inflation can cut fuel use by more than 4%—saving us several times more fuel than our ethanol experiment. Given the Government of Canada's multi-billion-dollar commitment to the ethanol industry, wouldn't it be a superior strategy to spend just a fraction of those amounts by hiring 5,000 to 10,000 young people, paying them \$40,000+ each per year, giving them each a tire pressure gauge and a hand pump, and have them walk around our cities and pump up the tires of parked cars? It sounds like a joke, but a competent and objective cost-benefit study would probably find this to be a far superior plan. Perhaps industrial ethanol is the joke. —nfu—

According to the Government of Canada: "If just one tire is under inflated by 8 pounds per square inch (psi), it can increase your vehicle's fuel consumption by 4 percent."

See <http://www.ecoaction.gc.ca/news-nouvelles/20070121-3-eng.cfm> .

Changes to "Product of Canada" labelling laws welcomed

“**T**he announcement that the federal government will introduce changes to rules governing ‘Product of Canada’ labels on food products is welcome news, said Nigel Smith, NFU Youth President in a May 21 news release. The NFU has long advocated such changes.

Smith, who farms near Elgin, Ontario, says Canadians want clarity and truth in food labelling, so that they can be confident that food labelled “Product of Canada” is actually produced in Canada by Canadian farmers.

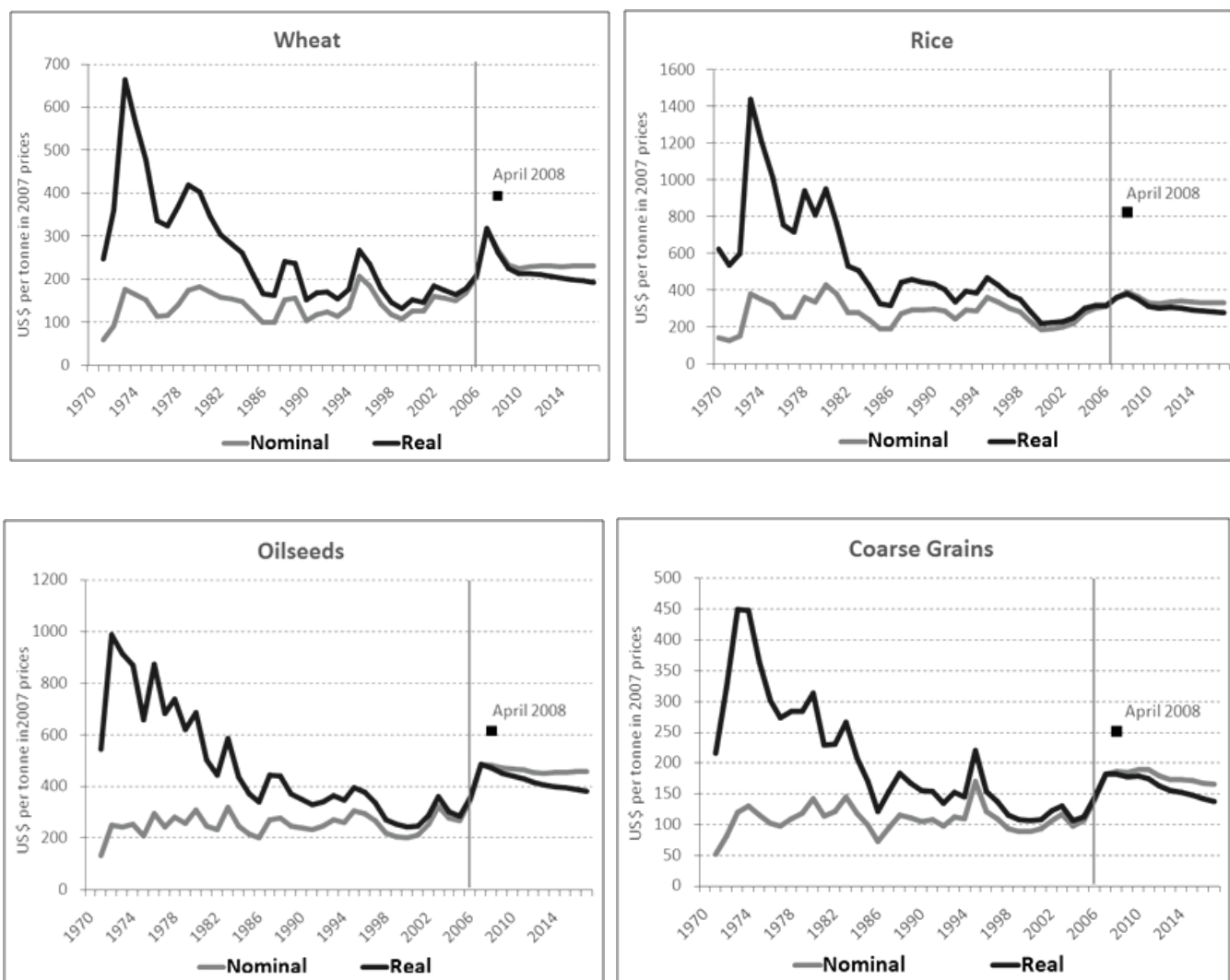
Grant Robertson, Ontario NFU Coordinator, noted that under the current Canadian Food Inspection Agency (CFIA) guidelines, imported food products can be repackaged and labelled “Product of Canada” if the cost of labour, packaging, and/or additional ingredients represents 51% of its cost of production. Robertson said the NFU has raised this issue in Ottawa on numerous occasions. In a brief to the House of Commons Agriculture Committee in early-April, 2008, the NFU clearly stated: “Only food that is produced by Canadian farmers should be allowed to be called ‘Product of Canada’.”

The new regulations would require virtually all the contents to be Canadian in origin. Products with imported ingredients would be required to state that fact on the label. Robertson said the NFU will be watching to see the details of the new regulations to make sure farmers and eaters get the kind of regulations they want and need.

At the NFU national convention in London, Ontario this past November, a resolution was adopted calling for improved clarity and accuracy in food labelling. While the full details of the new labelling guidelines have not been released, the government appears to be listening to the public on this issue. “The NFU has led the charge on this issue,” stated Smith. “It’s rewarding to see progress made on this front.” —nfu—

(World Food Prices, from page 1)

These first four graphs show actual wheat, rice, course grains, and oilseeds prices, adjusted for inflation (“real”) and non-adjusted (“nominal”), for 1970 to 2007. (Actual prices for April 2008 are included as a data point on each graph.) The graphs also show the FAO/OECD’s projections for prices going as far out as 2017.



Note that the inflation-adjusted (“real”) prices of wheat, rice, oilseeds, and course grains are currently far below their 1970s’ peaks. Note also that recent rises—though rapid and excruciating to the increasingly urbanized poor around the world—are relatively modest compared to those of the early 1970s. About its graphs, the FAO/OECD highlights document says this:

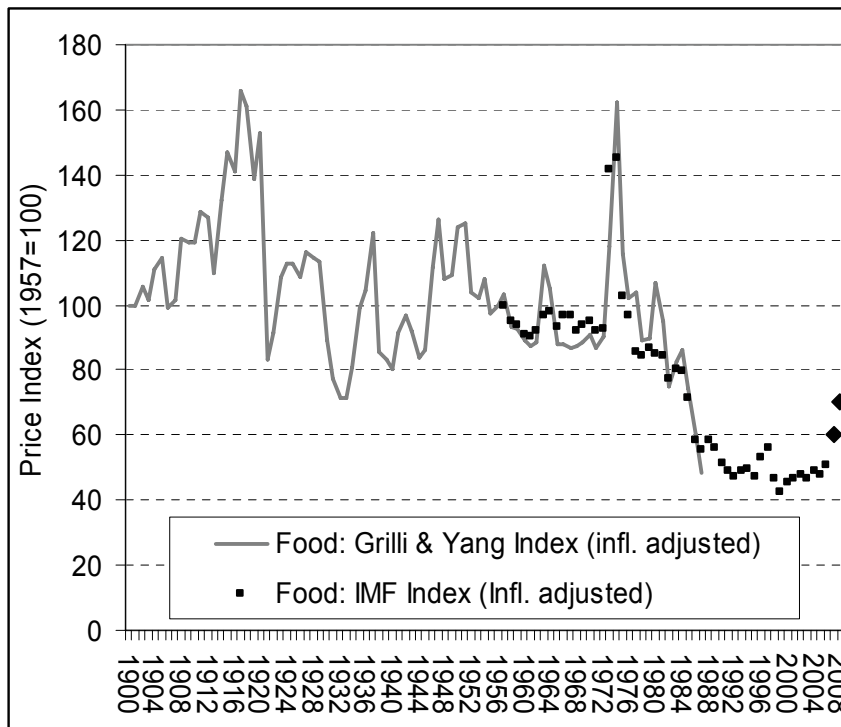
“The commodity price spikes witnessed in the last couple of years, and particularly most recently, are exceptional when viewed from the perspective of the last decade or so but not so much so when seen in a longer historical context. . . . [T]he recent price spike is neither the only, nor even the most important, one to occur in the last 30-plus years. In inflation adjusted terms, today’s prices fall well short of peaks achieved in the early 1970s, and neither current maize nor wheat prices are averaging much above levels achieved as recently as the mid-1990s.”

Finally, in these graphs, note that the UN and OECD project that prices will fall from current levels, though not all the way back down to the 1985-2005 average. More on projections for the future later in this article.

(continued on page 6...)

(*World Food Prices, from page 5*)

But before we turn to the future, let's look even farther back into the past. The graph below assembles data to show relative food prices going all the way back to 1900.



This graph has a complex lineage. Produced by the NFU, essentially it reproduces a graph from a May 2008 Carnegie Endowment for International Peace report (*Rising Food Prices, Poverty, and the Doha Round*). The data in the graph at left, and in the Carnegie original, is taken from an International Monetary Fund (IMF) publication (*World Economic Outlook, September 2006*). The graph at left also adds two additional data points at the right-hand side that approximate food prices for 2007 and 2008, based on IMF data (the two larger, diamond-shaped data points). Key to this graph is a long-term commodity price dataset developed by World Bank economists Enzo Grilli and Maw Cheng Yang. (See Grilli and Yang, *Primary Commodity Prices, Manufactured Goods Prices, and the Terms of Trade of Developing Countries: What the Long Run Shows*, 1988)

The Grilli and Yang/IMF data give us a revealing picture of the past century of global food prices. We can see that prices in the 1985 to 2005 period have been well below historic ranges. You can also see that recent price increases have merely brought global food prices back up to the lower reaches of the historically normal range.

While the media and analysts call the current global food price rise a “spike”, it really isn't. The graph above shows some real spikes—the one in 1973 stands out. Spikes are rapid price escalations above long-term norms. That is not what is occurring. We have had 20 years of depressed prices—a historically unprecedented trough. (If pre-1900 data were available, it is almost certain that it would show that in previous centuries food prices were far above recent values.) Thus, the current food price increase is not a spike, rather it is a rapid return to historically-normal prices. To rise into “spike” territory, the already-increased prices of the recent year would have to nearly double again.

So where might prices go? There is no answer to that. Two decades of increasing corporate concentration, bad trade policies, and farm-liquidating government ag. policies combined to give us the depressed farm prices of 1985-2005. We should not underestimate the power of government and agribusiness elites to re-instate that low-price regime again.

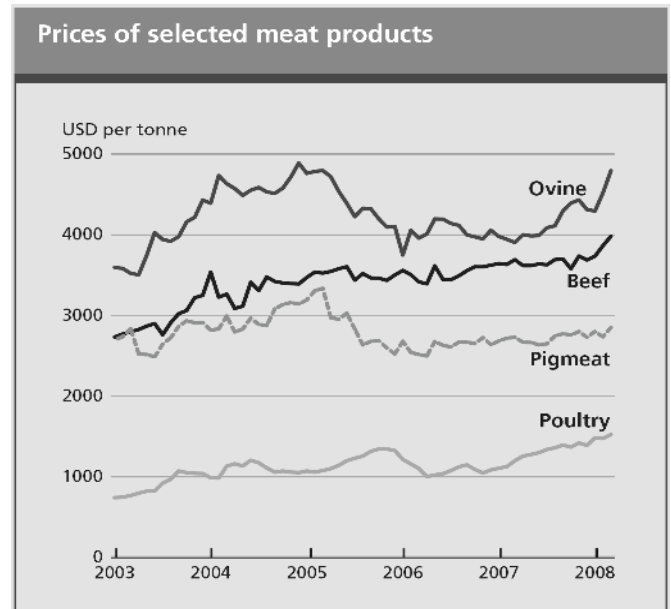
But counterweighing government and agribusiness power to force food prices down are a host of food system challenges: oil and natural gas depletion and the resulting multiplication of fuel and fertilizer prices; a shrinking global cropland base; population increases on-track to add 50% to our global numbers; the list goes on—long and worrisome. With dollar-ten diesel and thousand-dollar phosphate, it is impossible to believe that grain prices can go back down to pre-2006 levels. But the question remains: With fast-rising input costs, will grain prices rise to, or stabilize at, levels that return positive net incomes? The lesson of the past decades is that Cargill et al have been extremely good at holding grain and livestock prices down. And Mosaic, Monsanto, Deere, and Dupont have the market power to manipulate input prices and confiscate any positive returns farmers do receive.

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(*World Food Prices*, from page 6)

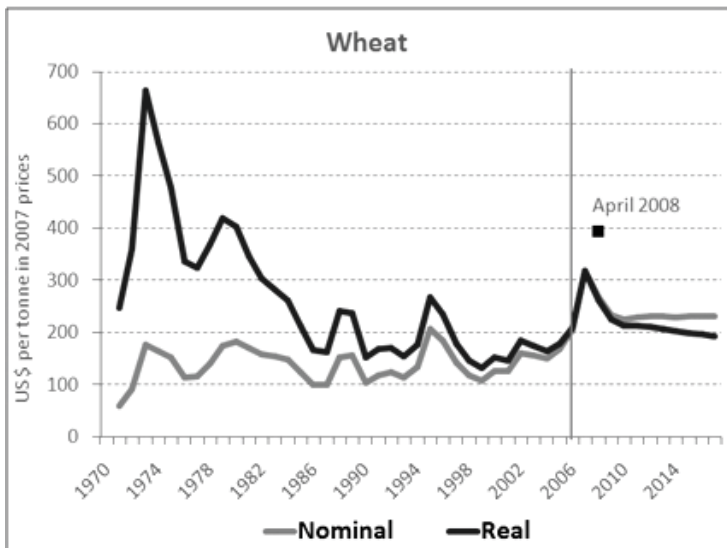
And what about livestock prices? Cattle, hog, bison, sheep, goat, and other livestock producers are caught in a worst-possible situation: faced with skyrocketing input costs but left out of the farm product (and general commodity) price increases of the past two years. Others have been left out as well. Potato prices remain very low—far below rapidly escalating costs of production. It seems certain that livestock, potato, and other not-yet-increasing food prices will soon begin to rise. The graph at right, taken from the UN's June 2008 *Food Outlook*, shows that for livestock, price increase may already have started. Again, however, will increases be large enough to cover high costs, and will increases come fast enough to save the many imperilled farmers?

The OECD and FAO project grain prices will head downward. The four graphs at the beginning of this article show that the OECD/FAO project grains and oilseeds prices to fall sharply and soon. Here is the wheat graph again.



The graph shows that April 2008 wheat, globally, touched \$400/tonne—well above inflation-adjusted values of the 1985-2005 period. But the OECD/FAO project prices to fall back toward \$200/tonne, back toward 1985-2005 levels. Essentially, they are saying that, like the mid-'90s “spike,” this upturn will be short-lived.

That analysis is probably wrong. Remember, these are the same people that failed *completely* to forecast the current price rise (for evidence, see the OECD/FAO *Agricultural Outlook: 2005-2014*). The OECD/FAO forecast is wrong for reasons detailed above and below—you can't produce \$3 corn or \$5 wheat from \$5/gallon diesel and \$1,000/tonne fertilizer. Nor can you reverse what is probably the fastest peacetime food supply drawdown in a century by paying farm-bankrupting prices. Prices will remain higher, whether profitability will do likewise is completely uncertain.



The global economy is massively unstable. We went from food glut to supply crisis in less than a year. Measured in US dollars, the price of oil has increased *ten-fold* since 1999; there is now widespread talk about a looming supply peak. The world has only begun to retool to meet the critical need to reduce greenhouse gases. Canadian household debt (mostly mortgages) stands at \$1.1 trillion—the US is in far worse shape. In North America, stagflation has set in (rapidly rising living costs coupled with economic contraction). And various financial crises loom and bubbles threaten to burst. In this climate, it is impossible to know where farm and food prices will go—a major import announcement from China could send prices for some grains up 100%; sustained rains in Australia could send some prices down 50%. The profitability equation remains even more uncertain.

(continued on page 8...)

(*World Food Prices*, from page 7)

Perhaps the conclusion is this: prices are a sideshow, a distraction. It has been 25 years since grain farmers in Canada or anywhere have earned sustained positive returns. Livestock farmers have had periods of positive returns, but they've suffered as often as they've prospered. Hog prices over the past decade have gone up and down, but the constant has been the expulsion of independent family farm producers. Cattle prices have fluctuated, but what hasn't slowed is the takeover of the sector by Tyson and Cargill. Potato farmers and producers of many other fruits and vegetables have sometimes captured good prices, but more often sold crops that failed to pay their bills.

Prices go up and prices go down but the markets *consistently* fail to deliver family farm stability, sustainable incomes, futures for our children, or thriving rural communities. The very notions of "markets," "prices," and "supply-and-demand" are increasingly illusions—used most often by the powerful to conceal the underlying processes by which they capture the wealth created on our farms. Corn and canola prices have doubled, but fertilizer has tripled and diesel has quadrupled. Gross farm revenues will smash records this year, but it will still take billions in taxpayer-funded farm support spending to paper over losses on our farms—losses that correlate suspiciously with record agribusiness profits.

Waiting for the free and open markets to deliver sustained prosperity to farmers is absurd—better suited as a plot for a Beckett play than as a rational food policy for a sovereign nation. There are no longer any markets of the type Adam Smith would have recognized, just a power game, a money grab. Such statements might sound heretical to Government of Canada Cabinet Ministers or the lobbyists with whom they lunch, but such ideas are commonplace to the men who drive the world's dominant agribusiness corporations. According to Archer Daniels Midland Corporation's former CEO Dwayne Andreas, "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."

Passively waiting for grain or livestock price upturns is not a rational agricultural policy for Canada or a rational financial strategy for farm families; we know from 25 years of experience that the input price upturns will be larger. Markets must be managed. To a significant extent *they are managed*. The question is: Will they continue to be managed by Cargill and Mosaic for the benefit of their shareholders and senior executives? Or will they be managed by democratically-elected representatives, in the public interest for the benefit of farm families and other citizens? Will we give up the CWB, the Grain Commission, and a whole host of farmer-protection agencies and regulations but leave OPEC with its cartel, Cargill and Tyson with their oligopoly over beef packing, and Monsanto with its monopoly patents?

Farmers are encouraged to pay attention to prices. But prices are not a very good determinant of profitability. Market power is the real determinant of profitability. Unless we rebalance market power between farmers and agribusiness, higher grain and livestock prices will fail to bring higher profits to our farms—those profits will be captured elsewhere.

—nfu—

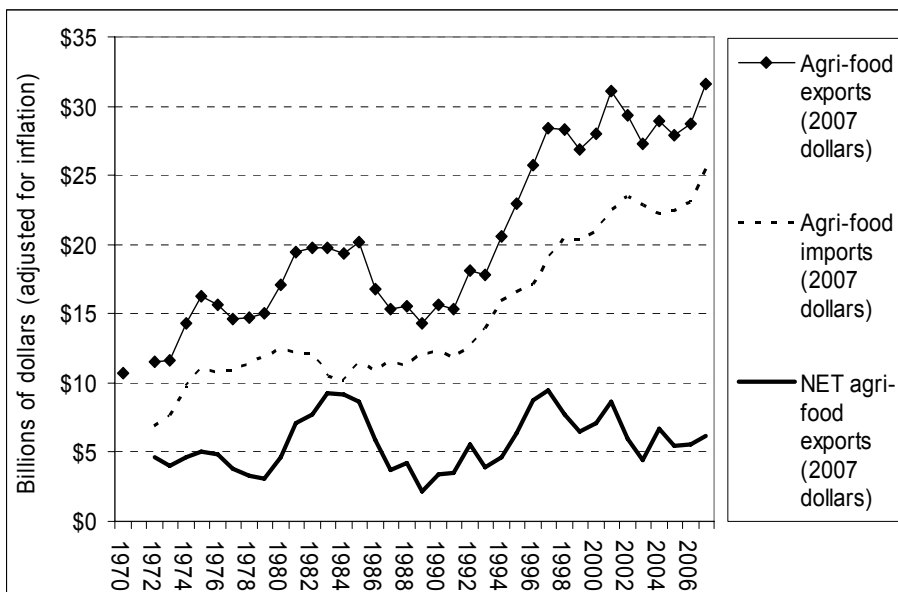
(Redundant trade, and the local food alternative, from page 1)

Canada is the world's fourth largest exporter of agriculture and agri-food products. Yet Canada is also the world's fifth largest importer of food. In fact, Canadian agri-food imports are rising as fast as (or faster than) exports, with net exports today much lower than their 1980s' peak.

Worse still, much of this food trade is redundant—we are actually importing and exporting the same food products and, very often, at the same time. Redundant trade in apples, beef, potatoes, tomatoes, and a host of other foods indicates that Canada is not importing simply to meet the needs and wants of Canadians, or for reasons related to “comparative advantage” or efficiency.

This unnecessary to-ing and fro-ing of food is a gratuitous use of fossil fuels that must not continue if we are going to work with other countries to stabilize the world's climate. It also recklessly undermines farmers and small businesses. Resource-wasting redundant trade points toward an even greater need to focus our efforts on meeting the food needs of Canadians by re-localizing the food system. This article gives some examples of redundant trade in Canada, and explores the links to corporate rule and its alternative: food sovereignty.

Figure 1: Canadian Agri-food exports, imports, and net exports: 1970-2007



The to-ing and fro-ing of food

Fresh apples

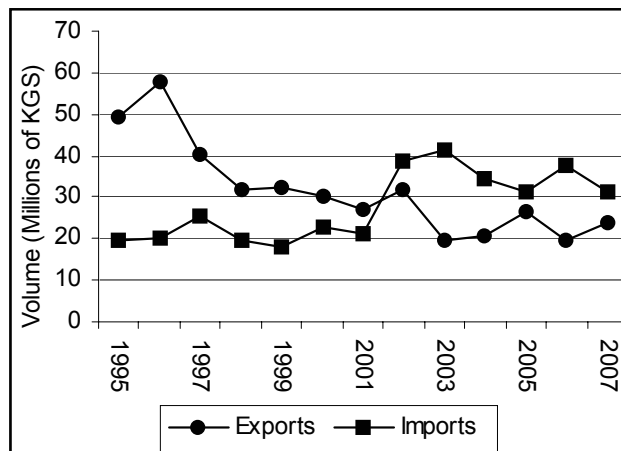
Figure 2, right, shows apple exports and imports during the months when apple production and exports in Canada are at their highest—October, November, and December. Even in these months, during or shortly after our apple harvest, we are exporting and simultaneously importing fresh apples. In fact, the exports and imports seems to follow each other quite closely over the last decade, indicating that redundant trade in apples is not a recent phenomenon.

Source:

Statistics Canada. *World Trade Atlas “Domestic Exports to the World—Quantity” and “Domestic Imports to the World—Quantity.”* Retrieved May 2008.

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Figure 2: Canadian apple exports and imports (Oct.-Dec. period): 1995-2007



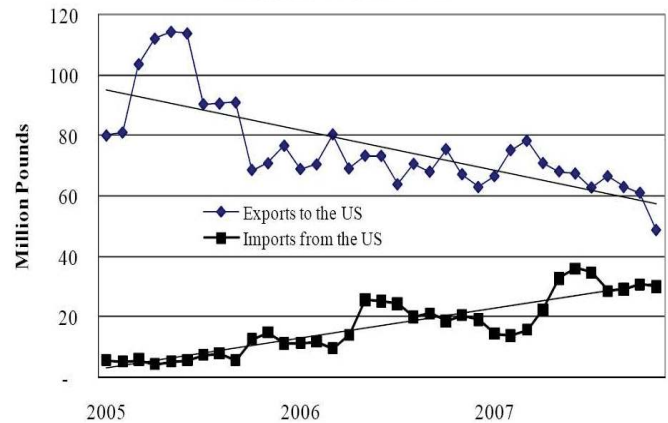
(Redundant trade, and the local food alternative from page 9)

Beef

Canada and the United States (US) are also shipping around a lot of beef. Canada, a long-time, net exporter of beef, is importing more and more (see Figure 3, right). In fact, with Canadian beef exports falling and imports rising, the trendlines indicate that Canada may soon become a net importer of beef (though we will remain a net exporter of live cattle). Clearly, a great deal of this trade is unnecessary.

Source:
Presentation by Kevin Grier (George Morris Centre),
Saskatoon, February 8, 2008.

Figure 3: Canada-US beef exports & imports: 2005-2007



Tomatoes

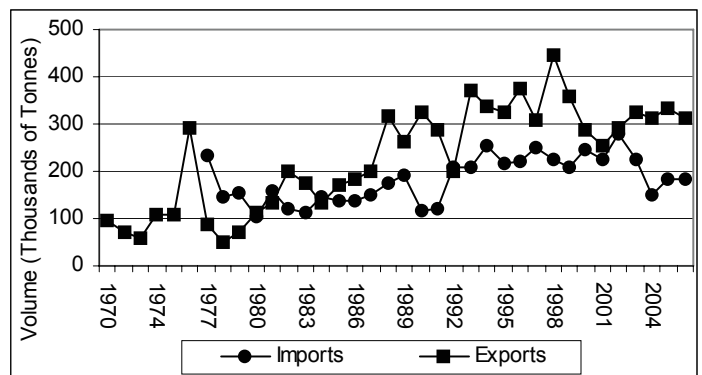
In July, August, and September, farmers harvest their crops and local tomatoes can be found in abundance in Ontario. In these months, exports from Ontario in 2007 totalled 30.6 million kilograms. But 15 million kg were also imported in 2007. Almost 16 million kg of fresh tomatoes, a record amount for Ontario, were being shipped out of Ontario in July 2006. Yet, half of the volume of tomatoes exported were shipped back into Ontario in the same month. Even in December, Ontario is exporting and importing tomatoes at the same time.

Potatoes

Figure 4, right, shows that redundant trade in potatoes has been occurring for the last thirty years. Roughly, for every three potatoes we ship out of the country, we bring two back in. In terms of fossil fuel use and climate change, these are unreasonably hot potatoes.

Source:
Statistics Canada. "Domestic Exports by Commodities and Countries" and "Domestic Imports by Commodities".
Canadian International Merchandise Trade. Retrieved May 2008.

Figure 4: Canadian potato exports and imports: 1970-2006



Other foods

In addition to the apples, potatoes, tomatoes, and beef detailed above, we are increasing redundant trade in many other food products. And the same is true for other regions and countries. The Region of Waterloo Public Health conducted a study of imports of fresh produce to the Waterloo Region during peak harvest season. The study found that six out of seven fruit and vegetables products were being exported and imported simultaneously (Maan Miedema, July, *A Study of Redundant Trade in Waterloo Region*, February 2006, p.11). In California, imports of strawberries are highest during prime strawberry harvesting/production season (Mamen et al, *Ripe for Change: Rethinking California's Food Economy*, May 2004, p. 28). Redundant trade has not gone unnoticed, but what are some of the causes?

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Why is redundant trade happening?

Let's look at the examples above. There is fairly even spatial distribution in the growing of apples, cattle, and potatoes in Canada—we grow potatoes in several provinces across Canada and we raise cattle in virtually all provinces—so that rules out any possible explanation relating to geography. Potatoes store well, there are no seasonal issues with beef, and both apples and tomatoes were being shipped around while they were in season, so the redundant trade isn't an issue of seasonal supply. Consumer preferences or the desire for greater variety cannot account for the trade in apples because the data indicates that the majority of imported apples are varieties that can be, and are, grown in Canada. Even if we were importing diverse varieties of potatoes or tomatoes, variety alone cannot account for the enormous volume of apparently unnecessary transportation of these products back and forth.

Instead of narrowing down the causes of redundant trade by looking at specific commodities, a closer look at the forces responsible for the majority of trade in the global agri-food system can provide some insight into why the same goods are crossing paths in opposite directions. It is corporations that trade, not countries. In the globalized food system—where agri-food trade is growing faster than production and population—only a small number of transnational corporations (TNCs) dominate. And that small number is getting smaller—of the world's largest 180 food and beverage companies operating in 1980, by 2000 only 60 remained (Pat Mooney quoted in Desmarais, Annette, *La Via Campesina: Globalization and the Power of Peasants*, p. 55).

In Canada, for example, as of 2005, four companies controlled 80 percent of the retail food market (NFU, *Canada Food Retail – 2004/2005*, Market Share Matrix Project, www.marketsharematrix.org/pdf/Canada_!_Retail.pdf). And just two beef packing companies (Tyson and Cargill) dominated 73 percent of that market, as of 2005 (NFU, *Canadian Beef Packing - 2005*, Market Share Matrix Project, www.marketsharematrix.org/pdf/Canada_!_Beef_Packing_market_share_FOUR.pdf). Market concentration has led to an oligopolistic market structure in the agri-food system where only a few corporations make decisions about how and by whom food is grown, processed and sold, and, most importantly, where.

Corporate concentration leads to a greater concentration of production in fewer but much larger facilities (economies of scale). Whereas in the past there were more farms, processing facilities, and grocery stores in a region or community, the overall number of local processing facilities, orchards, and farmers serving local communities has decreased. In addition, the variety of goods produced in one area has also decreased. With fewer and more specialized facilities owned and controlled by fewer companies, the distance between points of production and points of consumption grow and greater movement back and forth of the same goods becomes more likely. For example, with the level of redundant trade in beef, it appears as though Cargill and Tyson are shipping beef back and forth between their facilities in Canada and the US.

Although many of the reasons for redundant trade are not entirely clear, corporate branding and retailer fees for shelf space also play a large role. Large retailers and processors in Canada and elsewhere use their massive advertising budgets to create a demand for brand name products. Brand name goods must travel through a complex and highly centralized supply chain before reaching their final destination. Along this supply chain, the same goods will be trucked, shipped and flown back and forth, all the while consuming fossil fuels and emitting CO₂.

Further, brand name products limit competition and local alternatives. Large retailers charge 'slotting fees' for shelf space in their stores. They form contracts with large suppliers thereby limiting competition from more local competitors and increasing concentration. Local alternatives for foods from smaller food companies disappear as a result. Redundant trade is likely to occur as large TNCs have the power to import brand name products from facilities in distant locations, despite potential production and availability of similar products in the region. Therefore, redundant trade is linked to corporate concentration and the loss of local and regional control within the food system.

(continued on page 12...)

(World Food Prices, from page 11)

Regional and global free trade agreements (North American Free Trade Agreement, World Trade Organization's Agreement on Agriculture) have made it much easier and cheaper for TNCs to take control from local systems and transport food in all directions around the globe. Suppliers and retailers bypass the farmers right next door to import "cheap" goods produced by heavily exploited workers in distant places. In addition, large retailers use their market power to play farmers off against each other in order to get the cheapest product to sell wherever it will bring the highest price (Michaels, Lucy, *What's Wrong With Supermarkets?*, Corporate Watch, November 2001, p. 8). Surely it makes more sense to meet local demand with local supply first; but within a corporate system, trade for profitability and control is primary, despite the consequences for people and the environment.

Why should we care?

Redundant trade is wasteful

The planet is experiencing a climate crisis of catastrophic proportions. Many groups across Canada and the world are organizing to stop the destruction caused by the burning and extraction of fossil fuels which will have a devastating impact on the world's food supply, especially for communities in the South. Action must be taken to stop redundant trade and put an end to unnecessary emission of greenhouse gasses (GHG). For this reason, re-localizing the food system must be promoted as an alternative to corporate globalization.

Minimizing the distance between places of production and consumption is better in terms of fossil fuel consumption and GHG emissions. According to a study from the Region of Waterloo Public Health, 1.3 kg of GHG emissions are released into the atmosphere for every one kilogram of food imported from abroad (average of the 58 food items studied). But for the same 58 items, sourced regionally, emissions per kilogram were 1/10th as large. And when those products were sourced within 30 km, emissions were 1/100th as large (Xuerbe, Mark *Food Miles: Environmental Implications of Food Imports to Waterloo Region*, Region of Waterloo Public Health, p. 12). Minimizing redundant trade—ending the wasteful back-and-forth shipping and reshipping of nearly identical food products—could cut Canadian greenhouse gas emissions by millions of tonnes annually. In fact, reducing redundant trade may be one of the most painless ways we have to begin stabilizing the temperature of the Earth.

Redundant trade unnecessarily undermines producers and destroys community food self-sufficiency

Through their immense power, corporate agribusiness is able to influence policy makers and create domestic and trade rules in favour of big business. This is at the expense of small producers and sellers. The loss of small facilities and farms limits the potential for local self-sufficiency and increases people's dependency on more volatile markets and distant, profit-driven corporations. Meeting local demand with local supply, on the other hand, promotes food sovereignty—a food system where ownership and control is in the hands of producers and community members. Food sovereignty focuses on re-localizing the food system, and trading only when necessary, and when both parties can benefit from the transaction without exploiting people or resources. This entails re-establishing local control of the food system as an alternative to corporate globalization.

Because we can change things

Redundant trade is not inevitable, nor is it just a 'glitch' in an otherwise flawless global market system: redundant trade is symbolic of corporate-dominated trade which puts the interest of corporate growth, shareholder profit, and control, above people and life. The globalized food system has been created by corporate executives, international financial institutions, trade organizations like the WTO, and proponents of liberalization within governments and think-tanks all over the world. It can, therefore, be re-made in the interests of life by those who resist the corporate trade regime and re-envision alternatives for another food and agriculture system. —nlu—

La Via Campesina

Farm Leaders gather in Ontario, Quebec: NFU hosts

It's been a busy spring! At the end of April, the National Farmers Union hosted two international meetings, a series of public events and simultaneously participated in a cross-country tour called "Crops, Cars and Climate Crisis" (for more info on the tour, go to <http://www.cban.ca/Events>).

The first event was the *Vía Campesina* International Women's Commission (IWC) meeting held at Loyola House in Guelph, Ontario from April 21-25. Delegates from ten countries representing seven of eight *Vía Campesina* regions came together to plan for the 3rd International Women's Assembly in Mozambique in October 2008 (to be held in conjunction with the 5th International Conference of *La Vía Campesina*), to discuss joint initiatives with the World March of Women, and to share experiences and strategies on a wide range of issues impacting rural women.

Immediately following the IWC meeting, the technical team got in a van and drove to Cantley, Quebec where the NFU co-hosted (with Union Paysanne) the *Vía Campesina* North American regional meeting, an annual event aimed at building common stances around current global agricultural policy issues and working on tri-national events, actions and strategies. The meeting, which took place April 25-29, was well attended by NFU members with our two delegates and five observers actively participating in the deliberations. The participants were briefed on current national situations and heard from a panel on the international context. The meeting also divided into working groups on climate change, agrofuels, and territories; transnational corporations, free trade agreements and the WTO; and the global food crisis and production models in preparation for the 5th International Conference.

On April 29th, representatives from each of the three countries participated in a press conference on Parliament Hill on the growing global food crisis, organized by the NFU. Then, two of our Mexican counterparts embarked on a three-town speaking tour.

—nfu—

La Via Campesina

International Public Event Series a success

Between April 29th and May 2nd, the NFU put on a series of three public events in Pembroke, London and Lanark County, Ontario focused on food sovereignty and free trade. The guest speakers were Mexican farm leaders Miguel Colunga, Executive Director of Frente Democrático Campesino de Chihuahua, and Ubali Guerrero, State Coordinator UNORCA.

Miguel, who has been a leader in the farm movement for twenty years, spoke about the radical change in Mexico precipitated by free trade agreements and the resulting mass-migration away from the countryside. "The Free Trade Agreements have violated our rights," he said, "They have even taken away our right to live in our own country." He also spoke about the determination that campesinos have and the value in working together across borders to strengthen our rural communities.

Ubali addressed the importance of food sovereignty as an alternative model. She said, "When one country depends on another for its food, it has lost its food sovereignty." But she reminded audiences not to despair, "Food sovereignty is part of our patrimony."

Thank you to all the local NFU volunteers involved for your hospitality and work!

—nfu—

La Via Campesina

One NFU member's experience

The role that the National Farmers Union plays in the La Via Campesina movement (www.viacampesina.org) is something that makes me very proud to be an NFU member. La Via Campesina (LVC) advocates many of the ideals that motivate me every morning as I wake up on the farm and when I was asked if I wanted to attend the North American Regional meeting of LVC at a little retreat in western Quebec, I was very excited to get to know this group better and to be part of this gathering.

It was great to meet people from all over North America who are strung together by the common passion to defend and preserve food self-sufficiency, food sovereignty and integrity. During the time that I was able to attend the gathering, I was rejuvenated by the conversations going on. It's an incredible task to find common ground among a group of people whose concerns vary with nationality, gender, culture, and personal reality. It is amazing that so many of the struggles are the same. I was impressed with the outcome of different working groups discussing issues such as agrofuels, social movements and political change, and the positive impact of small-scale agriculture on the health of the planet (as opposed to corporate scale agriculture), to name a few. In the face of overwhelmingly large issues, the day still ended with celebration and conversation, which was an exhibition of the strength of spirit in these farmers.

Only a few days after the meeting in Quebec, two of the visitors from Mexico came to speak about the effects of NAFTA on small-scale agriculture in their country. The meeting was in a community hall in Lanark County in Eastern Ontario. Colleen Ross was there to present on food sovereignty and some realities of Canadian farmers. It was the third and final evening of a speakers' series that our NFU Local had organized for the spring. The hall was filled. The message from the speakers was a confirmation that small and medium-sized farms all over the continent are facing the same threats, the same challenges – and we are facing them *together*. The two speakers illustrated the effects that the dumping of commodities otherwise locally available is having on the small farmers of Mexico. After travelling the Ontario countryside and meeting farmers along the way, they were able to see that we are facing much of the same political and economic manipulation here in Canada. I was moved to feel part of the campesino resistance as opposed to part of a country that is guilty of its own imperialistic behavior towards other nations.



Farming is a tough business – short money and filled with uncertainty. Yet, try to cage a farmer in a secure paid job in a cubical! We farm for reasons that are beyond financial. We must! I believe that is where the richness lives. Family farms thread the earth. And on the toughest of days, I find solace in knowing that I am among thousands who face the same challenges, and grow on in spite of them.

*In solidarity,
Hilary Moore
(the new) Region 3 Rep for the
NFU International Program Committee*

International Women's Commission delegates in Guelph, ON

La Via Campesina

Opinion: *Protecting* lives is not a dirty word

(Jakarta, 2 May 2008)

As hunger riots erupt across the globe, world leaders such as Pascal Lamy, WTO Director-General, Dominique Strauss-Kahn, head of the International Monetary Fund (IMF) and UN Secretary-General Ban Ki-moon are warning against the dangers of protectionism. According to Mr Ban, "More trade, not less, will get us out of the hole we're in."⁽¹⁾

Over the past decade, food has become a commodity on the world markets like any other good, such as motorcycles or cotton t-shirts.

Food has always been traded in the international markets; however the rules of the game changed dramatically in 1995 when the WTO agreement on agriculture (AoA) came into force. Many countries that were hitherto producing enough food to feed themselves were required to open their markets to agricultural products from abroad. Mexico started importing corn, Indonesia rice, Europe soya. At the same time, most state regulations concerning buffer stocks, prices, production, import and export controls have gradually been dismantled. As a result, small farms around the globe have not been able to compete on the world market. They collapsed. In Europe, one farm disappears every minute. In the developing world, being a farmer is not considered as a job; it is a state of poverty.

Protecting food has become a crime under free trade rules. Protectionism has become a dirty word.

Meanwhile, countries have become addicted to cheap food imports, and now that prices are shooting up, hunger is raising its ugly head.

On April 30, former UN Secretary General Kofi Annan said that Africa could feed itself. "Africa cannot continue to live on imported food or on food subsidies", he told the BBC. The international peasant's movement La Vía Campesina, with its hundreds of millions of members in Africa and around the globe, agrees. We are convinced that countries can and must feed themselves. The movement has been advocating food sovereignty for more than a decade, strongly convinced that local markets and sustainable small scale farms are the most efficient and fair way to produce food.

Protecting national production is the right of any country to protect its own people from hunger and to allow its own farmers to live in dignity. Trade is, of course, a very useful tool when it allows women, men and children's needs to be fulfilled. But it has to be reigned in when the logic of profit starts devastating people's very survival. For example, when it becomes more economically profitable to use corn and soya to produce fuel instead of feeding humans.

Looking at the deadly consequences of the current addiction to food imports, it is obvious that food aid will not solve the current crisis; it will only increase dependency. Neither will GMOs and industrial agriculture be the solution, as they consume large quantities of fossil energy; they destroy the environment and leave farmers out of business.

In order to face the current challenge of feeding the world, the time has now come for governments to guarantee small farmer's access to land, seeds and water, to protect domestic food markets, and to support sustainable family farming. These practical policies will allow millions of farming families to live decently and with dignity; it will contribute to healing the earth's environmental wounds. And it will feed the world.

Protecting lives is a beautiful word.

Henry Saragih,
International coordinator of La Vía Campesina

(1) http://www0.un.org/apps/news/infocus/sgspeeches/search_full.asp?statID=222



L to R—Allan Slater (Ontario), Ubali Guerrero (Mexico), Haesook Kim (South Korea, LVC staff), Miguel Colunga (Mexico), Martha Robbins (NFU staff), Nancy Allan (Interpreter) on the road between public events.

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Theme: Food and Community

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Larry Hill

Chair – Canadian Wheat Board (invited)

Paul Nicholson

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Raj Patel

Author of Stuffed and Starved – Researcher with Institute for Food and Development Policy/Food First

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