

# **Farmers, the Food Chain and Agriculture Policies in Canada in Relation to the Right to Food**

**Submission of the  
National Farmers Union of Canada**

**to the**

**Special Rapporteur On The Right To Food**

**Mr. Olivier De Schutter**

**Mission to Canada, May 2012**

The National Farmers Union (NFU) is a voluntary direct-membership, non-partisan national farm organization. Founded in 1969, and with roots going back more than a century, the NFU represents thousands of farm families from coast to coast. The NFU works toward the development of economic and social policies that will maintain small and medium sized family farms as the primary food-producers in Canada.

The NFU believes that agriculture should be economically, socially, and environmentally sustainable and that food production should lead to healthy food for people, enriched soils, a more beautiful countryside, jobs for non-farmers, thriving rural communities, and biodiverse natural ecosystems. The NFU is a leader in articulating the interests of Canada's family farms, in analyzing the farm income crisis, and in proposing affordable, balanced, and innovative solutions that benefit all citizens. NFU policy positions are developed through a democratic process via debate and voting on resolutions at regional and national Conventions, as governed by our Constitution.

The NFU welcomes the opportunity to provide information to Mr. Olivier De Schutter, Special Rapporteur on the Right to Food, in support of his mission to Canada. Our report will focus on the NFU's perspective on the organization of food chains and its impact on the right to food and on governance of policies and programmes that impact the right to food.

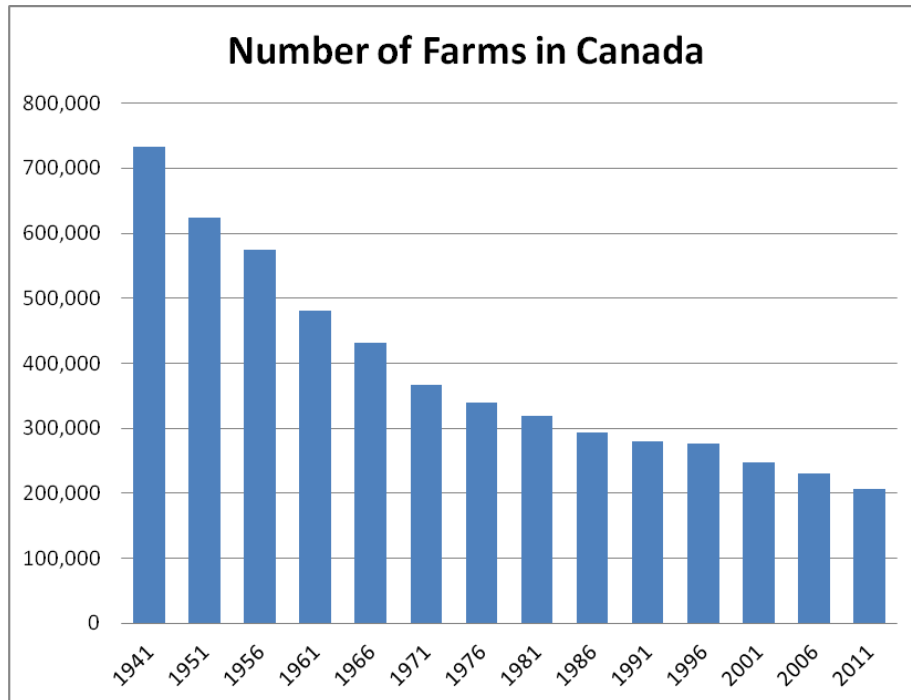
## **Farmers and the Food Chain in Canada**

The food chain begins with land and water, and includes seeds and breeding stock, inputs such as fertilizers, fuels and farm chemicals, equipment, production infrastructure, machinery and parts, and continues with the marketing of farm products to buyers, brokers, traders, processors, wholesalers, retailers and the ultimate consumer. Transportation is also a significant cost for many farmers. The food chain also includes the labour, knowledge, expertise and management contributed by farm families. As an organization of family farmers we recognize that passing on the farm to the next generation of farmers is also a vital part of the food chain over time.

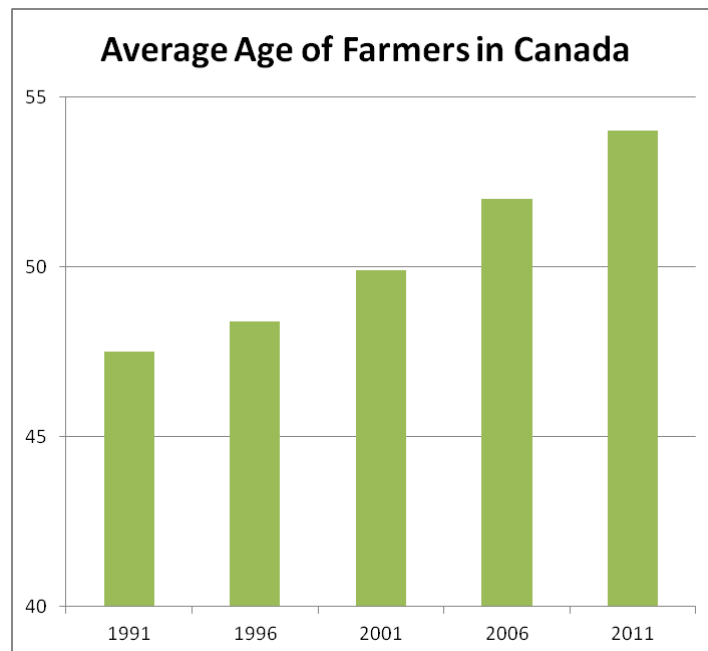
The term “food chain” brings to mind the many links that must be present and strong in order for food to be produced and transformed so that people may be fed. Unfortunately, many farmers today feel that the term “food chain” also describes a growing sense of bondage as a result of the powerful corporations that control so much of the economic, social and ecological environment in which we must try to survive.

### Loss of Farmers

The numbers of farms and farmers in Canada have been declining over many decades, while the average age of farmers is increasing.

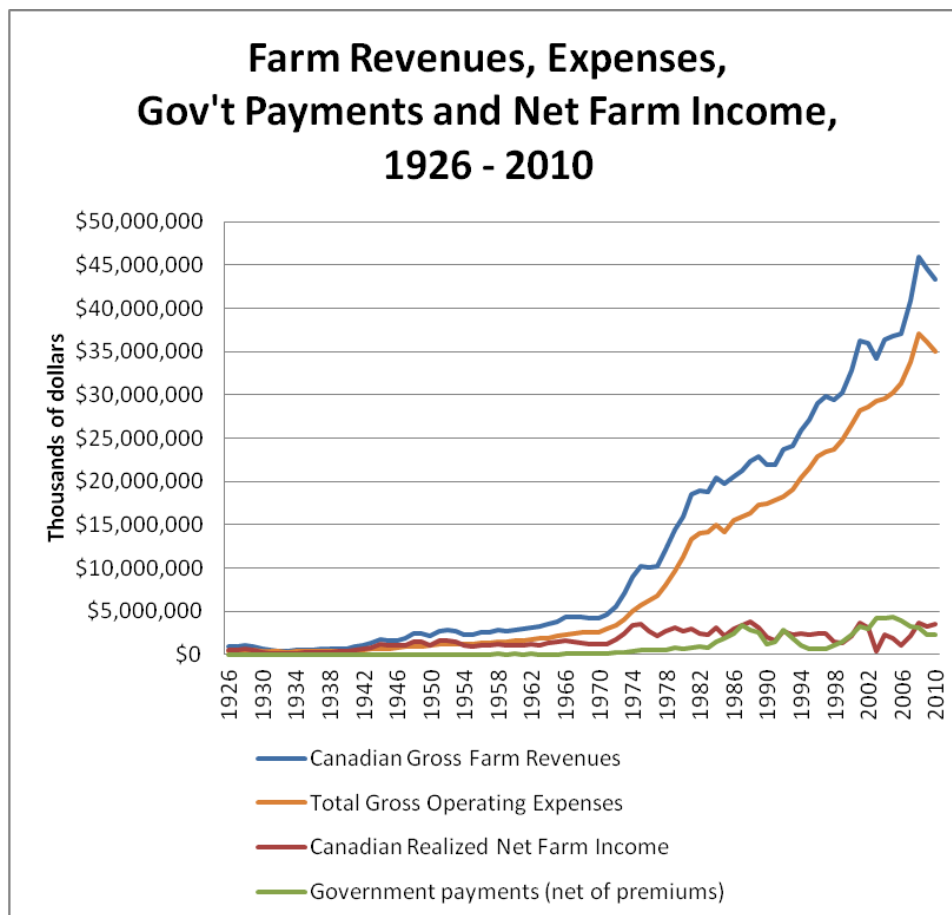


Source: Census of Canada



Source: Census of Canada

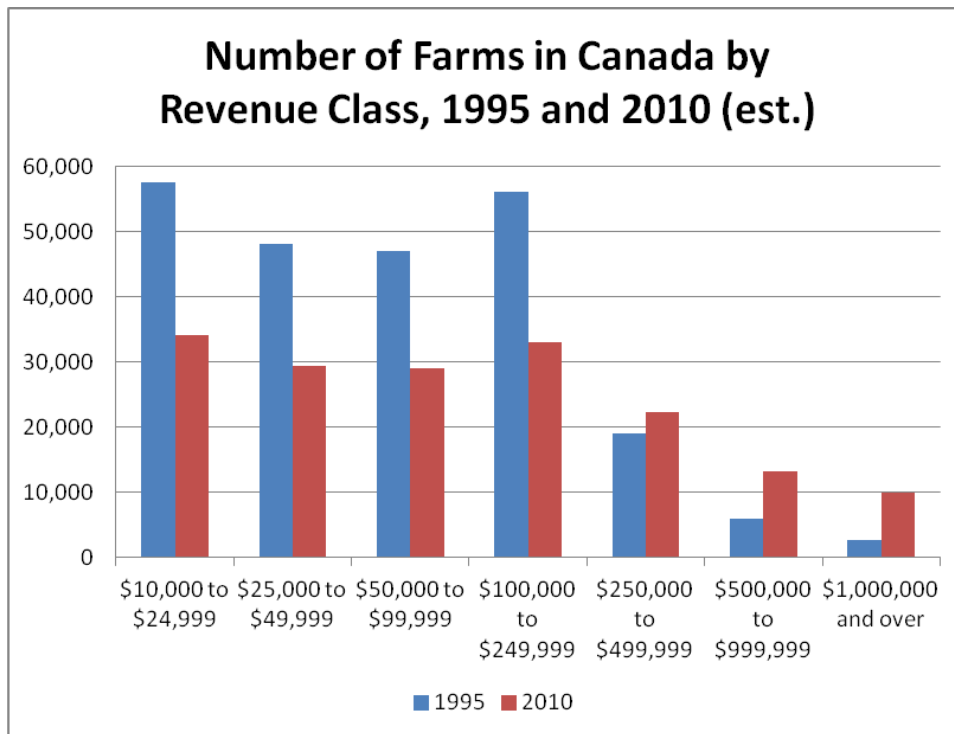
Farmers are caught in a cost-price squeeze, where they are price-takers when they purchase inputs, and also when they sell their products. Input prices are constantly rising and commodity prices, while subject to volatility, have remained low.



Source: Statistics Canada

The dramatic decline in farm numbers is policy driven, not a result of natural evolution in individual career choices. Low farm prices are beneficial to food manufacturers, as it means their input costs are lower, making it easier for them to be profitable. The food manufacturing sector is a powerful lobby in Canada which has been able to obtain favourable regulations and policies which allow costs to be offloaded onto farmers.

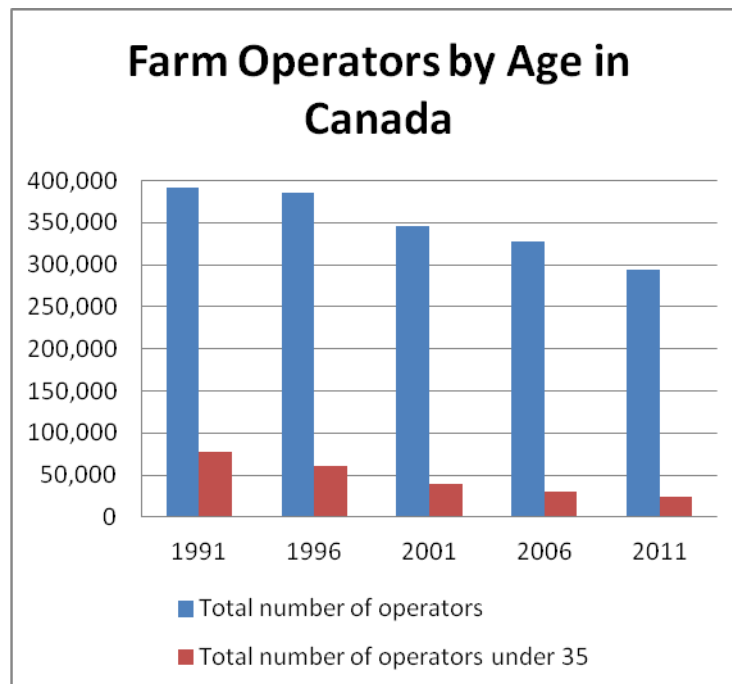
The long-term depression of farm prices in relation to input prices and the cost of living means that margins are constantly tightening, forcing farmers to produce ever more product just to maintain the same income. To produce more, farmers have to purchase more land, buy bigger equipment, increase herd size, rely more on purchased farm chemicals, and take on more debt. The size of a “viable” farm keeps increasing – and the goalposts of “success” keep receding into the distance as farmers struggle to keep up. The beneficiaries of the growth side of the dynamic are the input companies and the banks, while farmers are left with higher risks, fewer neighbours, depleted communities, less time and more stress.



Source: Farm Financial Database, Statistics Canada

### Landgrabbing

The loss of farms and the increasing average age of farmers is not simply an economic statistic, but indicates an alarming failure of intergenerational transfer and a shift towards concentration of land ownership. Many younger people have decided not to farm due to the bleak economic prospects, or have been prevented from entering farming due to the high level of debt that would be required to purchase or set up a farm. As a result, older farmers are not passing on their knowledge to the next generation, and this body of practical and cultural knowledge is being lost.

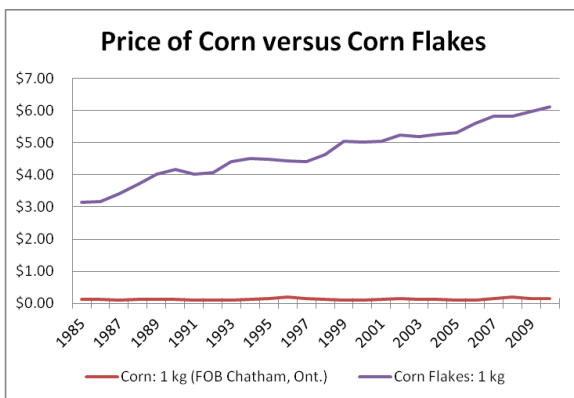


Source: Census of Canada

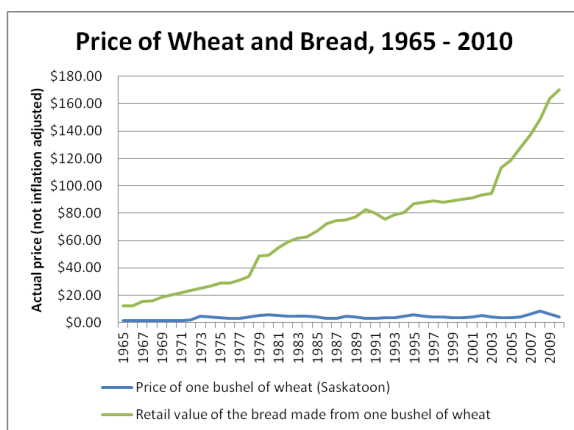
In many parts of Canada land is being purchased by absentee investors through speculative land investment corporations, and then rented back to farmers or operated with hired labour, including temporary migrant workers. The farmland investors are not interested in food production, but in a revenue stream, and thus make cropping decisions based on profitability rather than land stewardship. The lack of a long-term relationship to the land means there is a high risk of soil depletion, erosion, water contamination and other environmental problems, as short-term gains are the shareholders' priority.

**Farm Prices versus Food Prices**

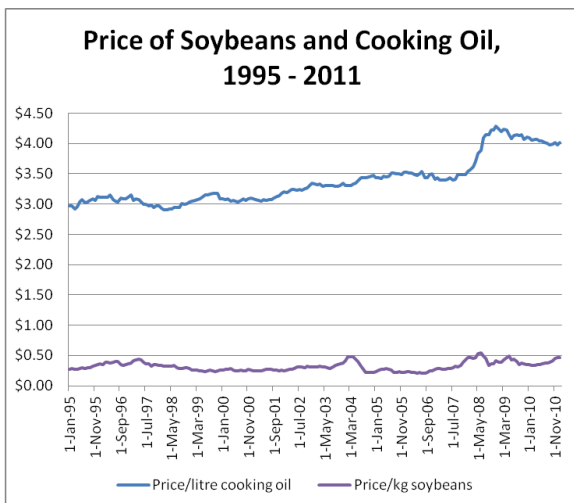
During the extended farm income crisis, grocery store prices for food have increased, indicating that the price of agriculture products is not a significant factor in the price of food. Higher food prices are not caused by higher prices paid to farmers. The proportion of the food dollar that makes its way into the farmers' pocket is miniscule. More importantly, the price of food continues to climb even as commodity prices stay low. Net farm income over the past 30 years is virtually nil. In the recent run up of farmgate prices the numerical price farmers are receiving is nearly identical to what they received in the mid 1970s. Thirty-seven years ago farmers were receiving \$13 to \$14 dollars for a bushel of flax and canola and that is exactly what they are receiving today. Wheat prices today are nearly the same as they were 37 years ago as well. Most farmers have to take off-farm jobs to support their families and are thus subsidizing the price of food with their own unpaid labour on the farm.



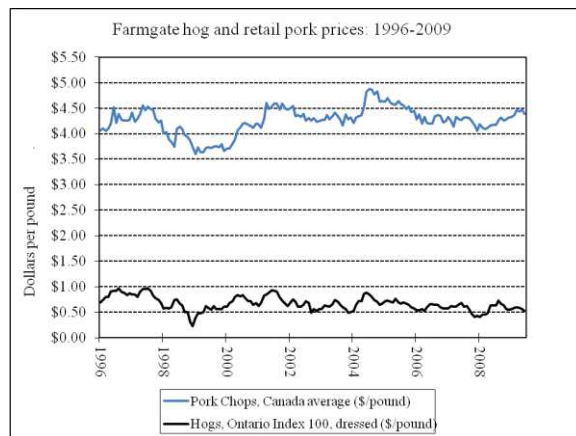
Source: Statistics Canada, Agriculture and Agri-food Canada



Source: Government of Saskatchewan, Statistics Canada



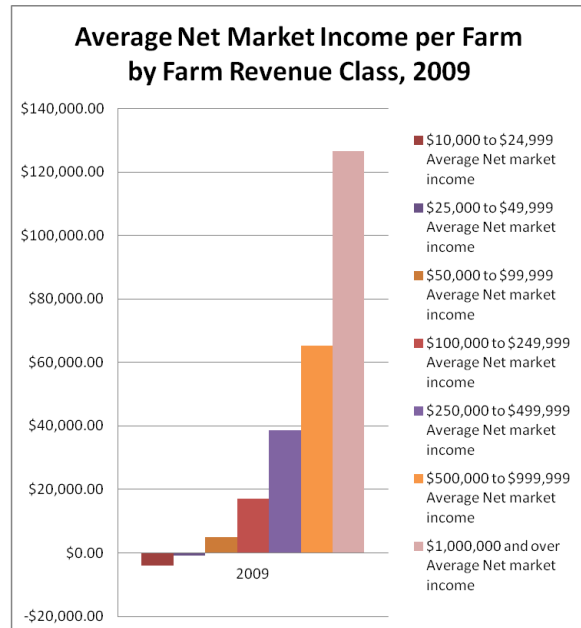
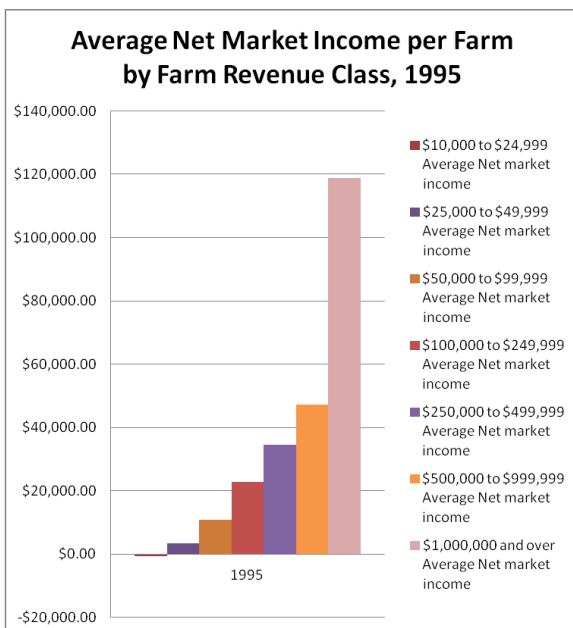
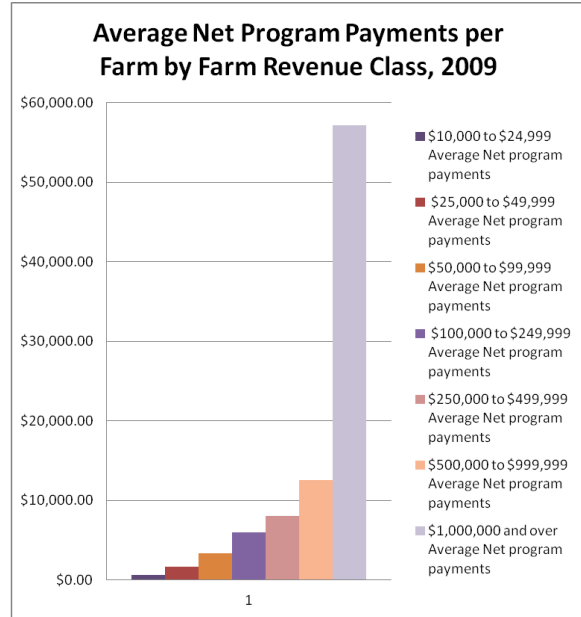
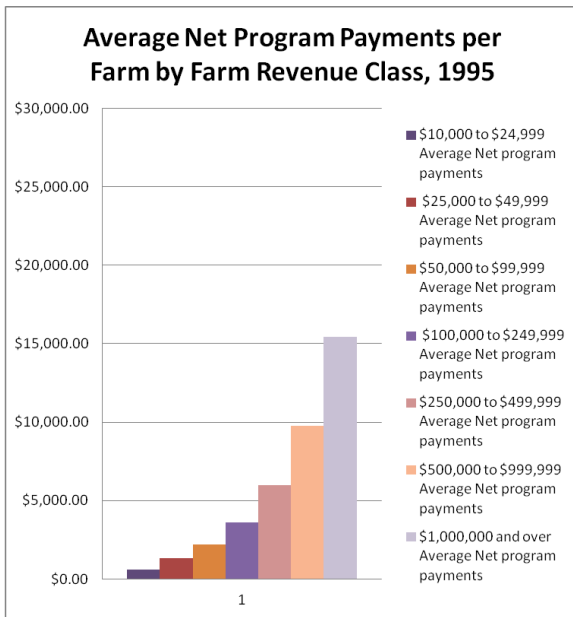
Sources: Statistics Canada, Agriculture and Agri-food Canada



Source: Statistics Canada

**Safety Nets**

Canada’s farm safety nets have big holes in them – they catch the biggest farms and let the small ones tumble down. The biggest farms are capturing a disproportionate amount of farm support payments, due to the design of the programs and to the exceedingly high cap (\$3M per farm) on maximum payments. A farm that is highly specialized and depends on export markets has a greater degree of margin volatility due to wild swings in world markets and currency exchange rates. These dramatic changes trigger huge farm support payments in poor years. In contrast, a smaller, more diversified farm has less volatility, less likelihood of triggering a payment, and a smaller ultimate payment – if there is any money left in the program by the time they apply for help. This dynamic contributes to the concentration of ownership by favouring the larger producers.

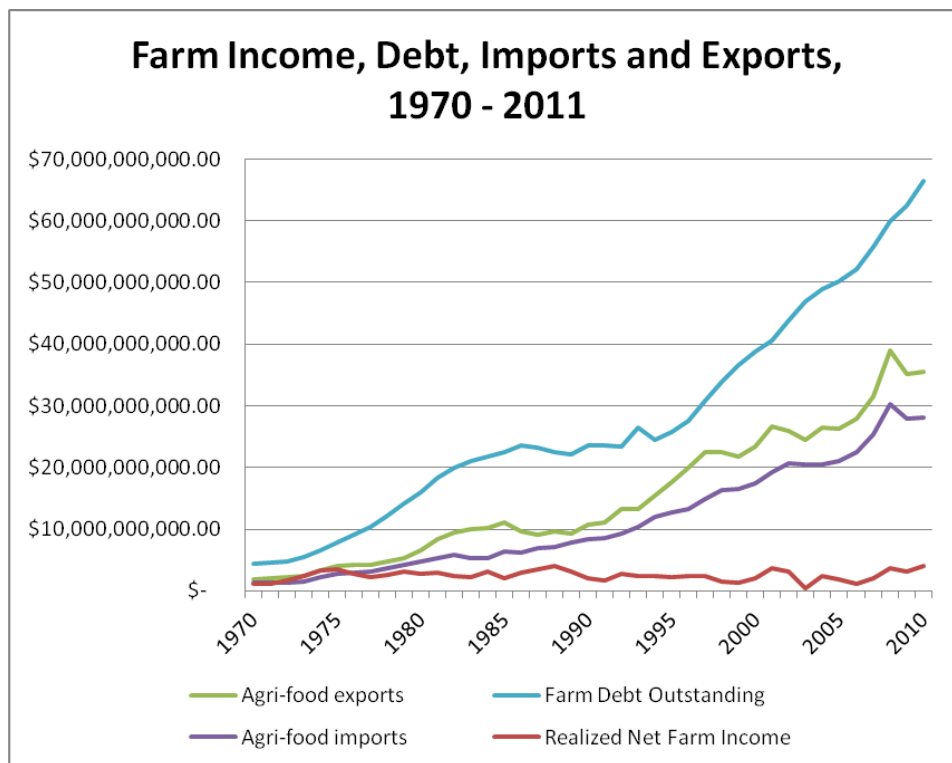


Source: Farm Financial Database, Statistics Canada

## Export Policies

Canada's agriculture policies are focussed on expanding exports. This approach became dominant in 1989 when the Free Trade Agreement between Canada and the USA was implemented, and intensified following the signing of NAFTA in 1994. Canada continues to pursue bilateral trade agreements with various countries, and is currently negotiating the Comprehensive Economic and Trade Agreement with the European Union. Canada may also enter the Trans Pacific Partnership as well. These trade agreements attempt to treat food and agriculture as any other commodity. The National Farmers Union, along with our sister organizations in La Via Campesina, promotes Food Sovereignty instead, which recognizes the central place food has in our lives and the importance of people in their communities having democratic control over important food production decisions.

Canada's trade oriented policy has succeeded in increasing trade, but this has not helped farmers. As trade increased, expenses and debt also increased and overall farmer numbers declined. Net farm income remained stagnant. The beneficiaries of the trade expansion agenda appear to be the sellers of inputs and the food processors who can now buy farm products cheaply on the global market, reducing their costs and increasing their profitability. The "efficiency" of this system is not passed on to consumers, as food prices continue to climb, but is instead captured by the ever larger and fewer global agribusiness companies involved in buying, selling and processing.



Sources: Statistics Canada, Agri-Food Trade Service, Agriculture Agri-food Canada

Historically Western Canada has been a grain exporter, and grain exports are still one of the most important economic drivers in the Prairie Provinces. In 1901 the Canadian Grain Commission was established in order to ensure fairness for farmers who sold grain. A robust grading, inspection and governance system was developed and has stood the test of time. However the current federal government is introducing fundamental changes to the CGC which will result in it being vulnerable

to influence by global agribusiness corporations and may possibly lead to its demise, and farmers will be unprotected as they were 100 years ago.

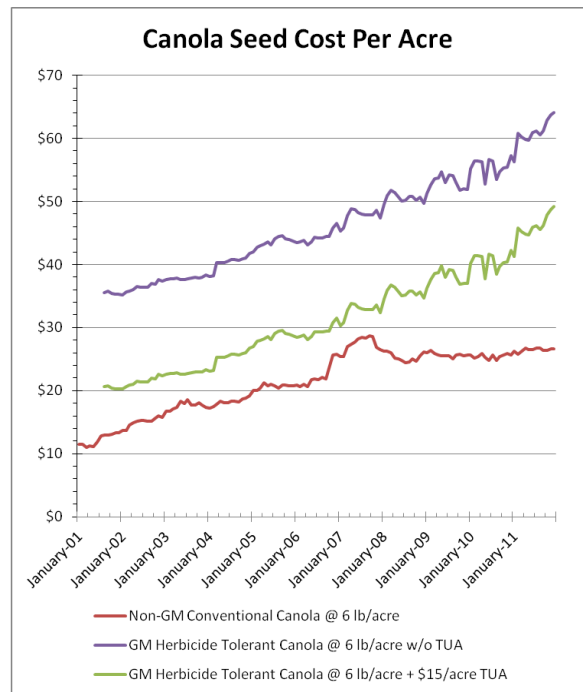
### Trade Agreements

In addition to the folly of single-minded promotion of trade expansion for agriculture, the “trade agreements” Canada has signed are not just about trade – they are about restricting governments’ policy-making space so as to prevent domestic laws from inhibiting global corporations’ ability to do business profitably and seamlessly, regardless of which country they are operating in. The laws, policies, programs and regulations that a nation might implement based on the democratic will of its population are re-framed as “tantamount to expropriation” and subject to investor-state dispute resolution mechanisms.

Canadian farmers have suffered and have been pushed off the land as a result of existing trade agreements, and are seriously threatened by the impending CETA agreement and Canada’s potential involvement in the TPP.

Two key food chain areas under threat due to CETA are the ability to continue to use farm-saved seed and the access to local food markets through public procurement.

Proposed intellectual property rights measures in CETA would permit precautionary seizure of farmers’ assets on allegations of patent infringement. In 2004 the Schmeiser Supreme Court decision ruled that no matter how patented genes came to be present on a farmer’s land, and regardless of whether the farmer benefited from the patented genes, the farmer was infringing on the patent-holder’s exclusive rights. If CETA is adopted as negotiated to date, the likely impact would be for farmers to avoid risk of precautionary seizure by buying only gene patented seed and paying the license fees (per a “Technology Use Agreement”, or TUA) to the company, instead of taking the chance that farm-saved non-gene patented seed might be contaminated through cross-pollination from a patented variety. The choice of seed would be de facto eliminated, and would in effect create a forced transfer of wealth from the farmer to the seed company.



Source: Alberta Agriculture and Rural Development

The EU is aggressively seeking access to public procurement at the provincial and local levels. In any procurement above thresholds, (which are relatively low) no government entity will be able to give preferential treatment to local suppliers. In light of Canada’s burgeoning local food movement and the importance of public procurement policies for developing the market for local food, this would have a significant impact on the right to food in Canada. For farmers, the local food movement has been an important area for young and new farmers to gain entry. The 2006 census showed that farming in the urban and peri-urban areas of Canada is increasing. By constraining local procurement policies through CETA the Canadian government will cut short one of the few good news stories in Canada’s farming scene.



## **Governance of policies and programs**

Canadian agriculture policy fails to distinguish between agribusiness (including input sellers, food processors, and retailers as well as corporate industrial farms) and family farmers, yet the interests of these sectors are usually opposite.

The trade agreements mentioned above are in effect a supra-national constitution that empowers corporations and constrains the kinds of policies that democratically elected governments can enact. The language of trade negotiations is adversarial – Canada has an offensive interest in X market but is trying to defend Y market against the trading partner. However, in reality the governments on both sides are behaving as proxies for the corporations that seek to benefit from expanding their scope of operations and eliminating the conditions placed upon them by the collective wills of different countries' citizens. Both sides seek to grow by penetrating the other's economy. Is this a zero sum game? Or, is the real target the smaller players in the domestic economy that will be overwhelmed and eliminated when confronted by the vast economic power of global corporations?

### **Regulatory Capture**

The Canadian Food Inspection Agency is the agency in charge of implementing many of Canada's food related statutes and regulations. It has a dual mandate – to ensure food safety and to promote the competitiveness of Canadian food exports. The CFIA has a close relationship with many large food industry lobby groups, and is increasingly off-loading responsibilities onto corporations. Even when the CFIA maintains its regulatory role, it seeks input from affected parties. Due to the economic interests and the capacity of the food industry lobby, its representatives have undue influence on the outcome of these consultations.

For an example, the meat packing industry promotes highly capital intensive measures for food safety which make it uneconomic for smaller abattoirs to operate due to the high overhead and debt servicing costs these investments entail. Regulations are used as a barrier to prevent smaller enterprises from entering or staying in the market. The result is a shift towards an extremely centralized, high speed, low wage, high volume, low margin meat processing sector and the loss of smaller scale capacity in local and regional markets. The CFIA is supportive of this shift, as the large processors are seen to be competitive in the North American or global marketplace, even if their operations have harmful impacts on Canadian farmers and consumers.

### **Killing the Canadian Wheat Board**

In 2011 the federal government passed a law, Bill C 18, to dismantle the 75-year-old Canadian Wheat Board, the farmer-directed single desk selling agency that sold western farmers' wheat and barley for export and for human consumption domestically. The law was passed in defiance of a Federal Court ruling that deemed the introduction of the bill to be contrary to the rule of law, because the binding farmer vote on proposed changes to the single desk was not held as required under the Canadian Wheat Board Act in force at the time. The federal government began implementing Bill C-18 regardless of the court ruling, yet it is also appealing the ruling.

Farmers have launched a class action lawsuit to overturn Bill C-18 (see [www.cwbclassaction.ca](http://www.cwbclassaction.ca)). Their claim includes charges under Canada's Charter of Rights and Freedoms, including breach of the Right to Freedom of Association and of the Right to Freedom of Expression.

The Canadian Wheat Board was required to sell all of the wheat and barley under its authority, and to return all net proceeds of sales to the farmers. All farmers were treated equally, regardless of size

or location, and price was based on quality as determined by the Canadian Grain Commission. Domestic sales to flour mills were also fairly priced, with no discrimination against smaller processors. The CWB's sales were worth approximately \$5B per year, and all of that money was returned to the prairie economy.

Since the passage of Bill C-18 Canada's largest grain company, Viterra, has been sold to a Glencore United, a Swiss company. As of August 1, 2012 profits from the sale of western wheat and barley will go to foreign private companies instead of to Canadian farmers. Furthermore, the quality of our grain will drop due to changes in the grading of wheat being promoted, and Canadians will no longer be able to count on having top quality Canadian wheat in their daily bread.

The Canadian Wheat Board played many other roles in addition to marketing wheat and barley. It supported public interest research, ensured that farmers were able to load producer cars to ship their grain as an alternative to using elevators owned by the grain companies, ensured access to elevators for all wheat farmers, successfully defended against trade challenges launched by the USA, developed export markets and promoted customer loyalty through excellent quality and service, and advocated for farmers interests in rail transportation matters.

### **Oil and Gas**

The federal government's top priority is the oil industry. Policies and programs that would reduce fossil fuel use and mitigate climate change are being ended and rolled back. Thus, Canada is contributing to, rather than reducing climate change. As farming is extremely weather-dependant, farmers bear a heavy burden when extremes such as flooding, drought, tornadoes, early frosts, mid-winter thaws, etc. cause losses of land, livestock, equipment, infrastructure, or prevent us from planting or harvesting at all. The shift towards self-funding insurance programs instead of broad-based disaster coverage means that even the risks of climate change are being shifted onto the backs of farmers.

The primacy of oil and gas over agriculture is also causing damage to the land and water due to the impacts of hydraulic fracturing (fracking). The regulations around fracking are minimal to non-existent, so farmers do not know what kind of chemicals are being spilled on their land or in their watersheds when produced water from fracking operations leaks or is dumped. The impact of these chemicals on the food supply is also unknown, even though livestock and crops are contaminated.

### **Regulation of GMOs**

Canada claims to have a "science-based" regulatory system when it comes to genetically modified organisms, or "novel foods" as they are known in Canada. There is no examination of the ethical, social and market impact of decisions to approve a new genetically modified crop. There is a high degree of secrecy around the data that is submitted by companies, and the public regulatory body, the Canadian Food Inspection Agency, has no independent testing capacity that would verify claims and conclusions that companies assert. Public comment periods for regulatory decisions are short (from 30 to 75 days in most cases), and public interest groups are not funded as interveners, so the ability to critique these proposals is limited. The Canadian government has a policy position in favour of expanding biotechnology, and cannot be considered a neutral party. Furthermore, Canada is in the process of laying off thousands of civil servants, with a high proportion of them being scientists. Under the current federal government there is no real commitment to science-based policy.

In 2000 Monsanto submitted an application seeking approval to sell genetically modified wheat in Canada. There was strong opposition from the NFU and other farmers as well as from consumers.

The Canadian Wheat Board did research that showed over 80% of Canada's export customers would not buy our wheat, or severely discount its price, if it was genetically modified. In 2004 Monsanto withdrew its application for regulatory approval.

In recent weeks the NFU has observed some worrisome signs that the ground is being prepared for another attempt to introduce GM wheat. The federal government has closed the Cereals Research Centre in Winnipeg, and has announced that public research on grain breeding will only go as far as developing germ plasm which will then be sold to private companies so they can develop and commercialize seed varieties. Such a system would likely function by empowering the seed companies to collect royalties on either patented GM varieties or under a UPOV '91 Plant Breeders Rights regime (Canada's law is based on UPOV '78). If GM wheat is developed it would have severe impacts on farmers' ability to sell to high-end export markets and it could eliminate the possibility of certified organic farming on the prairies due to inevitable genetic contamination of our staple crop.

The NFU is also concerned about genetically modified alfalfa. Canada has approved it for environmental release and for food and feed safety, so the only barrier left is variety registration. The seed variety regulations have been changed in recent years to facilitate registering seed varieties of certain crop kinds without requiring them to be assessed for merit. We are concerned that alfalfa's status under the seed variety registration system could be altered to make it easier for a genetically engineered variety to be marketed in Canada. Farmers are concerned about the impact of GM alfalfa on exports and on the Canadian organic sector, as alfalfa is an important forage crop and soil-building legume in crop rotations.

#### **Privatizing the Agricultural Research Agenda**

There has been a wholesale shift in Canada's public support for research in the recent federal budget. Virtually all public support will now be directed to research with direct commercial application. University-based basic research has undergone a shift over the past decade, as public funding increasingly requires a significant percentage of the project's fund to be raised by the scientist. In practice, this means researchers must find a private sector partner – a corporation – to fund their work. Only research that has a commercial benefit is amenable to this type of funding, so we have lost the capacity to get valuable research done that is in the public interest – such as improved water management, soil-building, agro-ecology, low-input systems, etc. Results of corporate-funded research are patented or otherwise licensed so that farmers have to pay for the research repeatedly if they buy the resulting new product, whether it is a seed, farm chemical, veterinary drug, or machine.

#### **Supply Management and Trade Agreements**

Canada's supply management system is a success story for farmers, consumers, processors and governments. However there is increasing pressure from the corporate sector to abandon supply management in return for entry into international trade agreements such as the Trans Pacific Partnership. The federal government has stated that it will protect supply management, but it has also said that "everything is on the table". These mixed messages are disconcerting. Furthermore, the federal government points with pride to its record of reducing and eliminating tariffs in other sectors. Opponents of supply management advise that because public support for supply management is strong, a gradual approach to eliminating it is needed. Reducing tariffs may well be the incremental strategy that will be used to undermine the system.

## **Recommended Solutions:**

The NFU recommends that Canada adopt a national food policy that values and supports the family farm as the basic production unit and that it include efforts to rebuild the farm sector through support for young farmers.

The NFU recommends that agriculture be treated separately from comprehensive trade agreements like NAFTA, CETA and the TPP.

The NFU recommends that there be no intellectual property rights on seed.

Canada should develop a farm debt reduction strategy to promote access to land by young and new farmers, retirement with dignity by older farmers, and prevent land price inflation and speculation.

Canada needs to improve the legislative framework to facilitate farmer/consumer cooperatives taking a larger role in the economy throughout the food chain.

Canada's public research agenda should support curiosity-based and public interest research with 100% funding.

The Canadian Wheat Board should be re-instated as the democratically directed farmer-run marketing agency for prairie wheat, durum and barley.

Supply Management should be maintained, and protected from external assaults. There are elements of the supply management system that need to be updated to promote intergenerational transfer and more diversity of production systems, but these are difficult to embark upon when the whole system must focus on defending itself.

The single desk system of selling hogs should be reintroduced.

Beef and pork processing companies should be prohibited from owning feedlots or hog operations (captive supply).

The CFIA should have food safety mandate only, similar to the United Kingdom's Food Agency.

Canada should promote renewable energy and climate change mitigation strategies that involve family farmers in a meaningful way. Canada should consider all the short term and long term social, economic and ecological costs associated with biofuels and zero till.

Canada's regulatory system should include social, ethical and market impacts in its GMO regulatory regime.

For further information please see the appended NFU Constitution and NFU briefs.

## **Selected NFU Briefs:**

- Response to Proposed Amendments to the Canada Grain Act in regard to the Canadian Grain Commission, March 22, 2012
- Farms, Farmers and Agriculture in Ontario: an overview of the situation in 2011, May 2011
- Total Net Farm Income and Total Agri-Food Exports and Imports, Canada, 1970 – 2009, April 2011
- Total gross farm income, total net farm income and total farm debt, Canada 1970 – 2009, April 2011
- Losing our Grip: How a Corporate Farmland Buy-up, Rising Farm Debt, and Agribusiness Financing of Inputs Threaten Family Farms and Food Sovereignty, June 7, 2010
- The Defense of Supply Management, October 8, 2009
- Canada's Farm and Food Sectors, Competition and Competitiveness, and a Path Out of the Net Farm Income Swamp, June 11, 2009
- Presentation to the House of Commons Subcommittee on Food Safety, June 1, 2009
- The Farm Crisis and the Cattle Sector: Toward a New Analysis and New Solutions, November 19, 2008
- Submission to the Ontario Farm Products Marketing Commission Review of the Ontario Hog Producers' Marketing Board, July 22-25, 2008
- The current farm crisis: its causes and solutions, Charlottetown, PEI, June 12, 2008
- The Farm Crisis According to Agrium and AAFC: A Report on Farm Input Costs, March 6, 2008
- National Farmers Union Presentation to the Competition Policy Review Panel, January, 2008
- Report and recommendations to the CFIA on proposed amendments to the Plant Breeders' Rights Act to bring existing legislation into conformity with the 1991 UPOV Convention, March 8, 2005