



## Should Ecological Goods and Services be part of the Ontario Local Food Act?

- by Ann Slater

The Ontario government gave notice last winter that it planned to follow through on a campaign promise to introduce a local food act. Organizations working on farm and food issues in Ontario began to pull together ideas and recommendations on what such an act should include. Over the summer, the National Farmers Union provided input directly to the government as well as to the collaborative initiatives of Sustain Ontario (SO), a province-wide, cross-sectoral alliance that promotes healthy food and farming.

As always, the ideas and recommendations brought forward by the NFU were based on the principles of food sovereignty. At its core, food sovereignty aims to fundamentally shift focus from viewing food as a commodity to generate profits, often for a few, to acknowledging food's central role in all of our lives – as a source of life. The People's Food Policy has outlined seven pillars of Canadian food sovereignty including 'values food providers' and 'works with nature'.

One of the issues that arose in our work with SO and other organizations was the role of ecological goods and services within a local food act. Focused on food sovereignty, the NFU took the position that a local food act should be about creating and supporting opportunities for farmers to earn an adequate livelihood as food providers by putting in place policies that rebalance power and control in our food system. Our position put us out of step with other organizations in the alliance that instead saw a local food act that rewarded farmers for providing ecological goods and services as the key mechanism to help increase farmers' incomes.

The NFU, as outlined in our sustainable agriculture policy, advocates for programs and policies that help farmers move towards lower input farming as a way to both protect water, soil and biodiversity (i.e., work with nature) and to unhook ourselves from using expensive inputs. Our policies recognize that ecological goods and services payments can encourage us to take steps to protect wildlife, soil and water on our farms. We do not suggest, however, that such rewards take the place of fair prices for producing food. At the core of NFU values is an understanding that as farmers, we should be valued as providers of food.

The concept of food sovereignty was created by La Via Campesina, the global organization of peasants and family farmers. La Via Campesina is also a leader in drawing attention to the myths behind the 'Green Economy'. The Rio + 20 report by Nettie Wiebe in the Fall 2012 issue of the Union Farmer Quarterly, highlights the La Via Campesina's work on the green economy. GRAIN, a non-profit organization committed to supporting community-controlled and biodiversity-based food systems, also published a report that has more to say about this issue. Published in September, *Behind the 'Green Economy': Profiting from environmental and climate crisis*, is available at [www.grain.org](http://www.grain.org).

The 'Green Economy' understood by governments and large corporations is not about making changes to better care for our planet. Instead, it is about putting a price

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*(Ecological goods and services, from page 1...)*

on more of the services nature provides, and selling technology as a fix for environmental problems created in the process. Placing a value on and rewarding farmers for providing ecological goods and services does not necessarily lead to a shift away from a chemically intensive, industrial model of agriculture. Ecological goods and services can be and are used to encourage farmers to adopt technologies like genetically modified seeds or newer pesticides that once again provide more benefit to the owners of the technology than to farmers.

As many eaters turn to local food, they are also looking for food produced in more environmentally sustainable ways. Providing support for farmers to make changes in their farming practices as they transition to more ecological production fits well within a local food act. Although SO has continued to advocate that farmers are rewarded for providing ecological goods and services in its recommendations for the local food act, their position is not one the NFU has supported. Our questions and concerns, however, did lead Sustain Ontario to withdraw a recommendation to 'expand markets to incorporate more than carbon credit trading'.

On the ground, NFU members and locals are already involved in projects like ALUS (Alternative Land Use Services) in their own communities that reward farmers for providing ecological goods and services. By bringing awareness of the false solutions of the 'Green Economy', and the promise of food sovereignty to the table, NFU members can push for funding to support family farms to adopt ecological production practices that focus on working with nature. We will continue our conversations about who benefits from the 'Green Economy', and about the real solutions to protect our planet with each other and with other organizations. —nfu—



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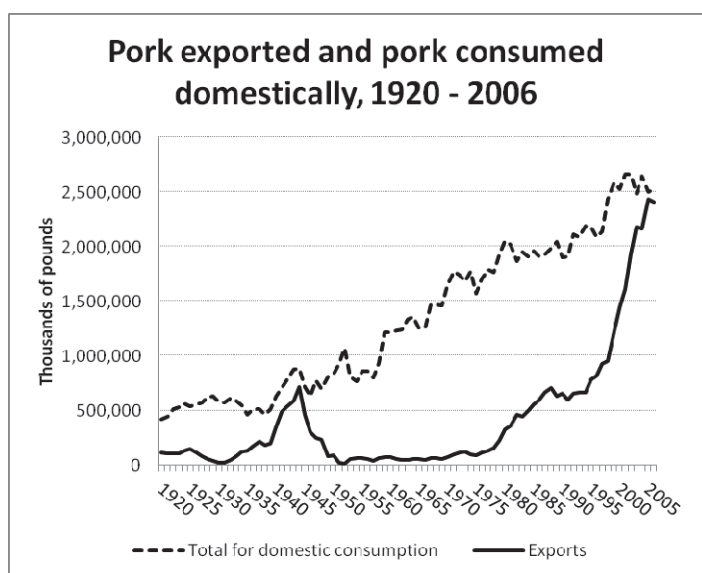
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# Frying our Bacon: Globalization, Competitiveness and Canadian Hog Policy

- by Cathy Holtslander

The hog sector crisis has been at least fifteen years in the making, the result of policy focused on globalization initiated in the mid-1990s by the federal and provincial governments, with the support of the corporate food processing lobby and a few large hog producers. The aim was to vastly increase pork exports and support expansion of Canadian meat processing plants so they could compete on the world market. The hog sector has been transformed. Nearly 30,000 diversified family farms were selling hogs in 1991 and now there are only 3,470, according to the Census of Agriculture. About half of remaining farms are highly specialized, large scale operations with annual revenues of over \$500,000. This transformation was supposed to reduce per-unit costs and permit high-volume/low margin producers and processors to expand enough to be internationally competitive.

Graph #1



Source: Statistics Canada, CANSIM Table 003-0037

Production did increase dramatically, and now Canada produces about double the amount of pork Canadians consume, exporting the excess (Graph #1). At the same time, per capita domestic consumption is declining, intensifying risk exposure due to fluctuations in export market conditions.

Canada's cheap and abundant feed supply was expected to provide our industry's competitive advantage in the global pork marketplace. Yet the current crisis, with two of Canada's largest hog companies filing for bankruptcy protection and many smaller operators failing with much less fanfare, is being blamed on high feed prices due to a drought-induced shortage of corn which is needed for livestock feed, ethanol production and food processing. Speculation is also driving feed prices up, as the financial sector seeks to exploit a looming world food shortage. Thus, the competitive advantage of cheap and abundant feed has been exposed as an illusion: grain – like pork – is priced in the global commodity market.

Elimination of single desk hog selling agencies in each province was the key to implementing the export-oriented policy direction. These agencies were set up between the mid 1960s and early 1970s to balance market power between the many sellers (farmers) and the few buyers (meat packers). All hogs were bought and sold through the single desks. Any farmer who had pigs to sell could take them to market, and any processor could buy from the market. The single desk system was an elegant, efficient and fair market mechanism that reduced transaction costs by providing a constant and reliable stream of information to both producers and processors via transparent pricing. Consumer preferences were communicated to farmers via premiums for desired carcass characteristics.

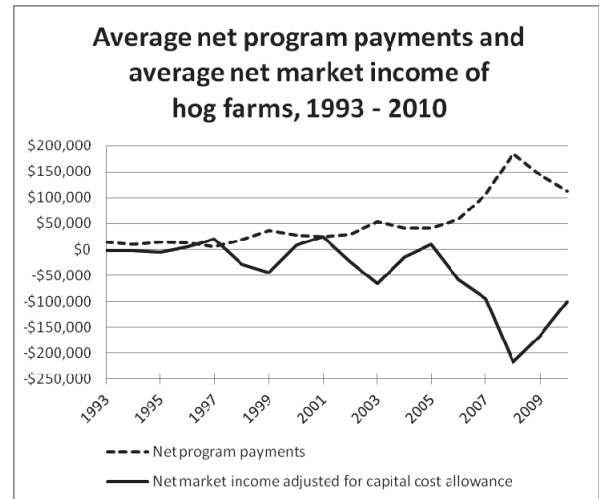
Farmers could enter or leave production, or adjust their level of production based upon profitability from year to year because capital overhead and debt loads were manageable. When grain prices were high, the mixed farmer might choose to sell grain rather than feed pigs; when hog prices were high it might make more sense to feed pigs instead of selling grain. This dynamic resulted in ebbs and flows in production as high hog prices induced farmers to raise pigs until supply exceeded demand, which caused prices to begin dropping. Farmers would raise fewer pigs, until demand exceeded supply, bringing prices up again. The single desk agencies buffered this cycle by levying a small fee during peaks and providing a small payout during troughs. Farmers, through their single desk agencies, thus operated their own risk management program, and earned virtually all their income from the market.

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The single desk system also assured processors that they would be able to buy pigs every week, as long as they could pay the going rate. During the single desk period, each province had some pork processing capacity, ranging from small independent butcher shops up to large regional processing plants.

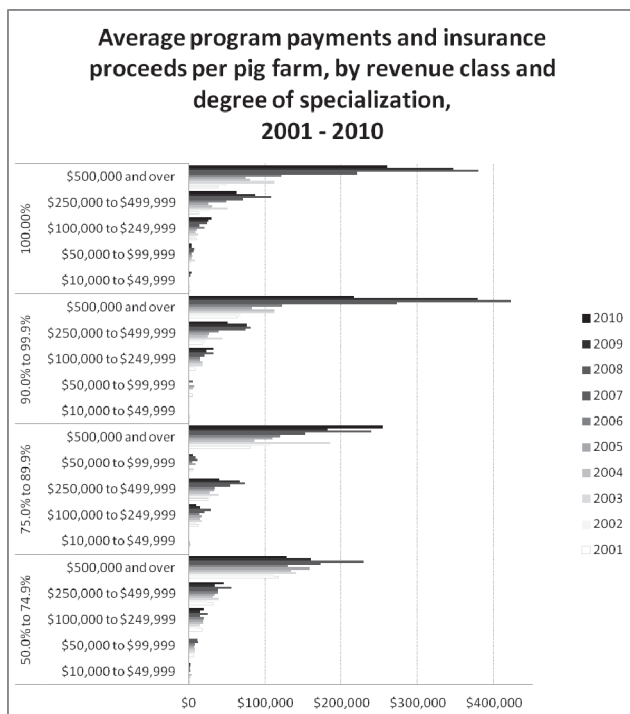
Between 1996 and 1998, and against the wishes of the majority of hog farmers, every province except Ontario eliminated its single desk hog agency. Ontario's single desk for hogs was shut down more recently, though unlike other provinces, it was involved in direct contracting between farmers and packers. Without the single desk, access to market depended upon getting a contract with a packer. Farmers unable to get suitable contracts went out of business, without compensation for the loss of value of their investment in barns and equipment being rendered obsolete by the policy change.

Graph #2



Source: Statistics Canada, CANSIM Table 002-0053

Graph #3



Source: Statistics Canada, CANSIM Table 002-0050

Under the single desk system, there was very little need for or use of safety net programs for hog farmers. That has changed dramatically, and steadily worsened. As Graph #2 shows, from 1997 on average net market incomes have declined, with each new low point worse than the last. The most recent data is not yet available, but no doubt will show another dive in net market income and peak in program payments.

Hog producers that scaled up in response to the new policy environment became dependant on ever-increasing public support payments, which have gone disproportionately to the largest, most specialized hog operations (Graph #3) - the type of farm that federal policy encouraged as the business model most likely to succeed in the global competition.

Canada has succeeded in dramatically expanding hog production, but this trend may well end as the latest crisis plays itself out. Without significant public support, this large highly-specialized business model cannot survive. Public support payments have topped up revenues for the biggest producers making them "competitive" enough to survive while selling at prices below the cost of production. This benefits the big meat packers, foreign buyers and the retail sector, sidelining independent diversified family farms. Most of Canada's smaller producers, along with the regional meat packers and local

butchers that served them, have disappeared. If the big hog producers do not survive, the days of Canada's remaining "world-class" meat-packing plants may be numbered, too.

The government's solution appears to be to seek access to more export markets through trade missions and agreements like CETA and the TPP – that is, to do more of what already is not working in the interests of small and medium-sized family farms. In addition, enhancing competitiveness is one of the key strategic initiatives of *Growing Forward 2*. If the hog sector is a model of competitiveness in Canadian agriculture, then clearly this is a policy priority that needs to be reconsidered.