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# farmer newsletter



# The Case for a Carbon Tax

-an (intentionally provocative) editorial by Darrin Qualman

arbon taxes are controversial. Especially contentious is the question of whether such taxes should be applied to farmers and food production. I believe that before farmers make up their minds about carbon taxes it is important they encounter—at least once—a clear explanation of how a well-structured agricultural carbon tax could work, and how such a tax could benefit farmers. In this editorial, I make the case for a carbon tax on farmers. What follows is not NFU policy or opinion.

Before I describe how governments could structure a carbon tax to support the larger goals of farmers and society, I want to outline why such a tax is needed. Here is what we know:

- 1. Even if all current emission-reduction commitments are met, the world is on track to warm by 3.2 degrees Celsius this century (see UN *Emissions Gap Report*). Worse, because continental interiors and higher latitudes are warming at twice the global average rate, parts of Canada may warm by 6.4 degrees C. This would cause devastation. Nonetheless, this is the path we are on. We must alter course—and we can—but only if we set and meet more ambitious emission-reduction targets.
- Canada has committed to reduce overall emissions to 30 percent below 2005 levels by 2030, just 13 years from now. Meeting that goal requires policy measures that will cause emissions to fall rapidly
- 3. Agricultural emissions are rising. For example, nitrogen fertilizer production and use are large contributors to agricultural GHG emissions. Canadian farmers have doubled their nitrogen fertilizer use since 1992 and emissions are up accordingly. Those who argue against a carbon tax on agriculture should state their alternative. What measures do they propose to halt increases in agricultural emissions and to spur reductions in the range of 30 percent by 2030? If not a tax, what?
- 4. GHG levels in our atmosphere are rising faster than at any time in the past 800,000 years. Figure 1 graphs atmospheric carbon dioxide (CO<sub>2</sub>) levels over the past 800,000 years—a period of time four times longer

than our species, Homo sapiens, has walked the Earth.\* The graph shows that CO<sub>2</sub> levels have risen and fallen. Never once, however, in 800,000 years did the level of CO<sub>2</sub> exceed 300 parts per million (ppm). Now, as a result of fossil fuel combustion and other human activities, levels are above 400 ppm. Unless we reduce emissions from all sectors immediately, we will destroy the climate we have come to know, and destroy the prospect of climate stability for millennia to come. We are in a climate emergency. Unless we act now, costs will include many of our planet's species and ecosystems, many of our cities, our economies, and perhaps civilization itself. It is necessary to raise these disturbing points because they form the context for arguments for and against carbon taxes.

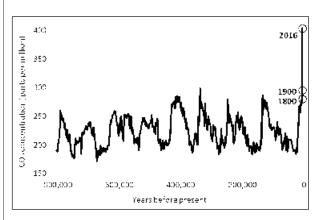


Figure 1: Atmospheric carbon dioxide concentration, 800,000 years ago to present.

Sources at http://www.darrinqualman.com/atmospheric-carbon-dioxide-co2/

Given the preceding, a carbon tax seems necessary. How can a farmer-supportive carbon tax be structured?

First, such a tax must embody the realities of the farm sector, especially the imbalance in market power between farmers and agribusiness giants. Farmers will be forced to pay nearly all the carbon taxes in the food system, including taxes levied on the natural gas to

<sup>\*</sup>CO<sub>2</sub> measurements for recent decades come directly from air samples. Measurements for past centuries come from analysis of air trapped in bubbles in Antarctic ice. Each ice core is analyzed at multiple research facilities using multiple techniques. Because of this duplicate testing and diversity of sampling methods, there is high confidence among scientists that ice-core data accurately reflects CO<sub>2</sub> levels in previous centuries.

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(The Case for a Carbon Tax, from page 1)

make nitrogen fertilizer and the energy to make the steel that goes into machinery. The carbon taxes levied on farm input makers will be passed forward to farmers in the form of higher input costs, and the taxes levied on truckers, railways, processors, etc. will be passed back to farmers in the form of lower farm-gate prices. Farmers will pay it all. An exemption for on-farm energy use is of little help in this situation. Rather, we need a comprehensive refund/recycling mechanism for the carbon tax dollars collected. Such a refund system is at the core of this carbon-tax proposal, and is detailed below.

Another consideration is that carbon tax rates must be high. Tax levels now under consideration—\$10 to \$50 per tonne—correspond to just 3 to 13 cents per litre of diesel fuel or gasoline. Such small taxes cannot change the behaviour of farmers or citizens. No one will make large changes or large investments to avoid small costs. To change behaviours and help achieve our emission-reduction targets, carbon taxes must rise above \$100 or \$200 per tonne.

However, because 1) farmers will pay all the carbon taxes in the agri-food system, and 2) those taxes must eventually rise to high levels, it is critical that 100 percent of carbon taxes collected—at both the farm level and the input-manufacture level—must be rebated to farmers. Every cent that farmers pay, either directly or indirectly through embedded taxes in inputs, must come back to farmers. Such refunds would not, however, be based on what each individual farmer paid. Rather, refunds would be spread proportionately across the farming community, perhaps allocated on the basis of gross margins. Farmers would pay taxes based on the carbon intensity of their farms and farm inputs, but all farmers would receive carbon tax refunds based on the relative size and production of their farms. An independent accounting firm could verify that farmers, in aggregate, have received back all that they have paid in.

Tax-and-refund mechanisms are easier to understand in an urban context. Imagine a tax-and-refund system applied to Vancouverites. Each citizen would pay carbon taxes based on the tonnes of carbon produced by the fuels they consumed, but each would receive back an equal per-capita payment. On the whole, the entire amount paid by citizens would be received back. But there would remain a strong incentive to "do the right thing" because those citizens who walked, biked, and

rode transit would end the year money ahead. They might pay a couple hundred dollars in carbon taxes but receive back perhaps a thousand dollars, as their share. On the other hand, someone who chose to drive a Hummer and live in a very large home might have to pay out two or three thousand dollars in carbon taxes but receive back just the same one-thousand dollar payment as the walking, biking citizen. Another way of thinking about tax-and-refund systems is that such programs transfer money from those doing the wrong things to those doing right. This can help fund investments in energy efficiency and emissions reduction.

Carbon taxes on agriculture must work in a similar way. Fully 100 percent of the money farmers pay in must come back. But notice what will happen: farmers who do the right thing—who reduce input use, who farm using organic or holistic techniques, who invest in equipment to use nitrogen fertilizer or farm fuels more efficiently—these farmers will come out money ahead. But those farmers who over-apply fertilizers or who over-use fuels and inputs in other ways will come out behind. An agricultural carbon tax will serve as a strong incentive to economize on energy, pursue efficiency, explore alternatives, and minimize fossil-fuel-intensive inputs. It will reward those who do the right things that help us move toward our emission-reduction goals.

Some details remain to be worked out. These include: how, exactly, will refunds be made (is the gross margin basis the right mechanism?); and how do we return to farmers the carbon taxes hidden in trucking and rail-freight costs? Lastly, though it is already likely the case, we must check to ensure that this carbon taxand-refund system does not advantage imports coming into Canada, or disadvantage Canadian exports abroad. However, the fact that all taxes collected would be rebated probably solves such "competitiveness" problems.

There is one more reason farmers should not, out of hand, reject a carbon tax: it is unlikely that farmers will be successful in arguing for carbon credit payments if farmers push for an exemption from economy-wide carbon taxes. The idea that farmers should be paid for sequestration but that they should not pay for excessive emissions seems an untenable position.

In summary, a carbon tax on farmers must recognize that farmers will be forced to pay *all* the taxes—those applied to on-farm energy use as well as those paid by the corporations that dominate the other links in the

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agri-food chain. For these reasons and others, 100 percent of all money paid in, at all links in the chain, must come back to farmers. If this is done, not only will a carbon tax have the strong potential to reduce emissions because it incentivizes farmers to reduce input use, such a tax-and-refund system can have a positive effect on net farm income because it can lower input use (i.e. expenses) and reduce the wealth-extraction power of the dominant input manufactures: Exxon, Deere, Agrium, Monsanto, and others.

Traditional agriculture, as it has been practiced through most of history and continues in many places today, was and is zero-net-emission. The high emissions we see in North America and in similar agricultural systems around the world correlate with increased input use. Most farm inputs are fossil-fuel products. As we push more fossil-fuel-intensive inputs into our food system, we push more emissions out. We are not going back to horses; nonetheless, we must minimize input use. Any low-emission food system will be a low-input food system. And reducing input use has the clear potential to increase net farm incomes.

### Save a tree, save a stamp <u>AND</u>

# save the NFU some money!!

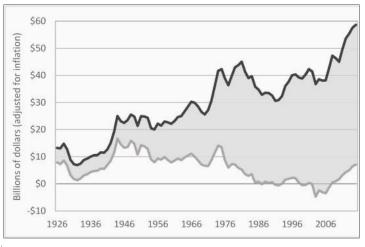


Postage rates and printing costs keep going up and it's easier than ever to distribute documents electronically so we will begin offering the *Union Farmer Newsletter* via email in 2017. We would like to encourage you to switch from paper to PDF so we can allocate more money to organizing, research and advocacy for family farmers.

If you would like to get the electronic version of the newsletter in your email in-box instead of getting the paper version in your mail box, please let us know.

Send an email to nfu@nfu.ca with the subject line "Newsletter by Email". <u>Include your name, NFU membership number and/or mailing address</u> in the body of the message.

Thanks for helping lower our publication costs!



<u>Figure 2:</u> Canadian gross farm revenue and net farm income, net of subsidies, adjusted for inflation, 1926–2015.

Source: Statistics Canada CANSIM.

Figure 2 shows Canadian farm income from 1926 to 2015. The black, upward-trending line is gross farm revenue. The bottom, gray line is realized net farm income. All figures are adjusted for inflation, and stated net of government subsidies—government payments are subtracted out to remove their masking effects. Note how gross revenue climbs but net income slumps toward zero, moves into negative territory, and then recovers only modestly in recent years. Most important, note the gray-shaded area expanding between the two lines—between gross revenues and net income. This area represents farmers' expenses: the amount they spend on farm inputs. This is the amount of farmers' gross revenues captured by farm input companies. Between 1985 and 2015, input manufacturers captured 98 percent of farmers' revenues. Between 1985 and 2007, input suppliers captured 100 percent. The ongoing farm income crisis is largely a result of wealth extraction by globally dominant input makers. Farmers have two problems: high emissions and high costs. Curtailing input use can help solve both. A carbon tax can help reduce emissions and increase incomes. - nfu -

Darrin Qualman served as an NFU staff-member from 1996 to 2010. He is currently working with the NFU in Manitoba formulating a plan to reduce greenhouse gas emissions from agriculture. He hopes to publish his book on civilization and energy this year. For more information about his book, and for graphs and analysis on energy, food, and the economy, please visit Darrin's website: www.darringualman.com

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# **Neonicotinoids under review:**

PMRA proposes phase-out of imidacloprid and launches review of clothianidin or thiamethoxam

In November 2016, Health Canada's pesticide regulator, the Pest Management Regulatory Agency (PMRA), announced it had completed its re-evaluation of imidacloprid and as a result, proposes a three to five year phase out of the chemical's agricultural uses. It also announced a special review of clothianidin and thiamethoxam, both neonicotinoid pesticides.

At the 2013 NFU national convention the NFU called for a five-year moratorium on the use of neonicotinoid seed treatment for field crops and asked Health Canada to complete and publicize independent scientific studies on the effects of neonicotinoids on honeybees, wild pollinators, and other species (including humans) before lifting any moratorium. Thus, the NFU was pleased to submit a statement in support of the PMRA's proposed phase-out of imidacloprid.

The following is the NFU's submission to the Pest Management Regulatory Agency regarding Proposed Re-evaluation Decision PRVD2016-20, Imidacloprid:

Imidacloprid is a neonicotinoid insecticide currently registered as a seed treatment, foliar spray and a granular formulation to kill a variety of insect pests. It is most commonly used on field and greenhouse vegetables, fruit, horticultural, sweet corn and potato crops, as a seed treatment on potato seed pieces and in sod production and turf maintenance. While it is registered for use as a seed treatment for field corn, soybeans, pulse and cereal crops, the seed of these crops is more commonly treated with other neonicotinoids. Imidacloprid is sold as agricultural formulations under the brand names Admire, Gaucho, Merit, Genesis, Intercept, Alias, Grapple, Quali-Pro Imidacloprid, Stress Shield, Concept, Sombrero, Sepresto, and Acceleron. Most are registered by Bayer Cropscience; a few are owned by Adama and FMC Corporation.

Imidacloprid is highly water soluble, which is a quality that allows it to be easily absorbed by plant roots and distributed throughout the plant's tissues via its vascular system. This same quality makes it very problematic in the environment: only a small portion of applied imidacloprid is absorbed by the plant while the rest stays in the soil where water dissolves and moves it through normal drainage and leaching. Since it does not break down quickly or easily, imidacloprid remains toxic to insects, birds and other life forms such as arthropods as it moves through the environment and kills, weakens or impairs non-target organisms.

Imidacloprid moves with water in the soil and only a small amount of the chemical is absorbed into target plants. This makes it impossible for the grower to avoid applying more than is needed for pest management.

The grower cannot control the movement of the chemical following application. PMRA must phase out imidacloprid for agriculture use rather than attempt to regulate its use by amount, timing, location and crop.

The evidence from scientific studies referenced by the PMRA in its consultation document show both high concentrations and a high incidence of imidacloprid in water samples (in some cases 100%) from areas where there is a lot of row crop and greenhouse vegetable and fruit production and/or potato and sweet corn field crop production. The concentration of imidacloprid in water samples is highest in areas with most intensive production.

While the public has become quite concerned about neonicotinoid impacts on bees and pollinators, the proposed regulatory change focuses on the effects of imidacloprid on birds, aquatic insects, and the



birds that depend on aquatic insects for their food supply. The kind of insects most vulnerable to imidacloprid toxicity are the midges, mayflies and larvae of flying insects that are near the bottom of the ecological food chain – the base of the food pyramid which supports the diversity of life. The PMRA also cites evidence that predatory insects such as wasp species that consume agricultural insect pests like aphids that attack soybeans, are also killed by imidacloprid. Both birds and predatory insects provide ecosystem services by consuming insect pests when they are abundant,

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among other things. The continued use of imidacloprid threatens the biodiversity of Canada's countryside, weakening this natural biological control system.

The NFU calls for the precautionary principle to be applied in the regulation of farm chemicals to protect biodiversity, the long-term productivity of the soil, and the safety and purity of surface and ground water. The *Pest Control Products Act*, Section 20, empowers the Minister to amend or rescind the registration of a pesticide based on the precautionary principle. The *Act's* definition of the precautionary principle is: "Where there are threats of serious or irreversible damage, lack of full

scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent adverse health impact or environmental degradation."

The NFU also promotes using Food Sovereignty - the right of peoples to healthy and culturally appropriate food produced through ecologically sound and sustainable methods, and their right to define their own food and agriculture systems - as the framework for Canada's agriculture and food policies. One of the seven pillars of Food Sovereignty is to work with nature by optimizing the contributions of ecosystems and as a way to improve the resilience of our food system.

The proposed regulatory decision would phase out over three to five years, all outdoor agricultural, ornamental, turf and tree uses (except tree injection uses) and greenhouse uses of imidacloprid insecticide, and would restrict its use to very limited applications such as flea treatment for pets and injection of trees for control of emerald-ash borer. The decision would also implement additional precautionary measures to protect human and ecosystem health during the phase-out period. We believe this proposed decision is a positive step and we fully support it.

The consultation period on the imidacloprid decision has been extended. <u>The new deadline</u> is March 23, 2017.

If you would like to submit your own comments you can send them by email to <a href="mailto:PMRA.publications@hc-sc.gc.ca">PMRA.publications@hc-sc.gc.ca</a> or mail them to the postal address below. Your subject heading and submission must indicate it is regarding the <a href="mailto:Proposed Re-evaluation Decision PRVD2016-20">PRVD2016-20</a>, <a href="mailto:Imidacloprid">Imidacloprid</a>.

Pest Management Regulatory Agency
Publications Section
Pest Management Regulatory Agency (PMRA)

Address Locator: 6607D Health Canada 2720 Riverside Drive Ottawa, Ontario K1A 0K9

Links to the PMRA's consultation documents are posted on the NFU website at <a href="https://tinyurl.com/herw8lw">https://tinyurl.com/herw8lw</a>.

We also urge the PMRA to implement effective monitoring and enforcement to ensure compliance with the new label restrictions during the phase-out period. We urge Health Canada to work with Environment Canada and Agriculture and Agri-Food Canada to promote alternative, less toxic insecticides and nonchemical agriculture techniques for the management of insect pests in general, with a focus on the crops currently using imidacloprid. We strongly encourage federal and provincial governments to assist farmers in adopting such products and methods in order to reduce the quantity of toxic agricultural chemicals being applied to our farmland.

## DON'T MISS OUT!

The NFU would like to keep you informed and up to date with the latest news and information about the issues you care about. We send out email messages – usually no more than one or two a week – with timely information such as press releases, opinion pieces, upcoming NFU events, briefs and submissions to government. We are able to provide more information, more often, by email than we can on paper. Unfortunately, some of the email addresses we have on file no longer work, and for many of you, we have no email address at all.

If you have not been getting email from the NFU, please send us your current address. Send a message to <a href="mailto:nfu@nfu.ca">nfu@nfu.ca</a> with "Email Address" in the subject line. In the body of the message provide the full name, email address, postal address and/or NFU membership number of each person in your household who would like to receive messages.

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# The Public Trust PR Campaign: Agribusiness efforts to avoid public regulation

—by Cathy Holtslander, NFU Director of Research and Policy

public relations (PR) campaign to gain social license by regaining lost public trust in the food and agriculture system is now underway in Canada. It is supported by Agriculture and Agri-Food Canada, with Food & Farm Care Canada, with Agriculture in the Classroom and Agriculture More Than Ever taking leading roles in disseminating information and organizing events and programs. A quick look at these organizations' websites shows they are largely funded by large agribusiness corporations and commodity groups.

The issue of public trust is two-pronged. On one hand, citizens have developed an awareness of the food system as a significant sector that has a tangible impact both on their own lives and as a larger social, economic and environmental force. Food and agriculture are on the radar as important matters that affect the public. On the other hand, food system ownership and control has become more concentrated as fewer, larger corporations have vastly increased their market power within the agrifood sector, and in some sectors hold near monopolies. How the food system operates is increasingly decided not by farmers and government policy-makers, but by managers within the large corporations that operate global supply chains and vertically integrated production/ distribution systems. The public trust campaign is an attempt to strengthen the corporate prong in the face of challenges from an increasingly well informed public.

As individuals, many Canadians seek to empower themselves by taking more control over their food choices by reading labels, seeking out sources they trust, shopping at farmers' markets, subscribing to CSAs and participating in food-related citizens' organizations. Often food is one of the few areas of a person's life where they feel that they can have some control. Public opinion research indicates that younger people, often referred to as "millennials", are more likely than their elders to "vote with their dollar" when it comes to food, choosing to match their purchases with their environmental, social and community values. Without intervention, they are likely to continue this pattern as they get older.

One of the key messages the public trust/social license PR campaign uses is that there is a disconnect between agriculture and urban consumers because

fewer people now live on farms. This lack of direct contact with farmers is framed as a knowledge-and-credibility gap on the part of concerned citizens. Of course, the decades-long farm income crisis due to "get big or get out" farm policy in both the US and Canada has driven many potential farmers off the land, as they could not make a living there. The remaining farmers must run larger farms, often while working an off-farm job to make ends meet. The result is bigger farms and less time per acre to manage them, which has also driven increased sales of inputs by the companies seeking to increase public trust.

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what's right."

Global agri-food corporations see the trend toward greater food consciousness among youth as a threat to their future growth and profitability, not only in terms of a declining share of the food market in the next generation of consumers, but also due to the potential for public concern to trigger increased regulation. While the most obvious dimension of the public trust campaign is the agri-food sector's efforts to promote a healthy, environmentally friendly and socially responsible image to maintain market share for their products, the deeper incentive is to avoid regulation.

This is where "social license" comes in. An American organization, the *Center for Food Integrity*, defines social license as "the privilege of operating with minimal formalized restrictions (legislation, regulation, or

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(The Public Trust PR Campaign, from page 6)

market requirements) based on maintaining public trust by doing what's right." <sup>1</sup> Its members are some of the world's largest agri-food corporations including food processors, meat packers, pharmaceuticals, biotech, agrichemical companies and banks, along with several commodity lobby groups. In 2016, Farm & Food Care Canada launched the Canadian Centre for Food Integrity as an affiliate of the American Center for Food Integrity. Public trust is a pre-requisite for social license; social license is a means to avoid regulation.

"If we don't regulate ourselves in the public interest, we are going to be regulated by something or someone else – and we must be conscious of power."

As former NFU President Terry Boehm said in his presentation to the NFU's 2016 National Convention, "If we don't regulate ourselves in the public interest, we are going to be regulated by something or someone else – and we must be conscious of power. Societies have always regulated to limit the power to enslave, to extract, and to prevent other negative consequences of power." In the case of the public trust PR campaign, the motivation of agri-business corporations to gain social license and thereby avoid public regulation needs to be understood as their desire to maintain their power to regulate us as farmers and consumers, for their own interests. "Social license" is a means to quietly protect and extend corporate power over farms and the food system.

The organizations involved in the public trust campaign have done extensive market research to find out what kinds of people are concerned about food issues, and what their specific concerns are. One strategy to keep regulations at bay is to create private labels or standards that provide product alternatives that allay these concerns. The use of such labels is a way to segment the market. Companies thus get an opportunity to charge a premium price to those who will pay for the desired product. Consumers who are indifferent, who

cannot afford premium prices, or who can't get to higherend grocery stores will perhaps be offered cheaper products. But without proper public regulation, this food may be produced in situations that compromise farmers' health, food safety, the environment and labour rights – whether here in Canada or in other countries.

The agri-business lobby has become very influential in shaping Canadian food and agriculture regulations. Unlike voluntary, non-profit public interest advocacy groups, corporations are able to fund full time government relations personnel who meet frequently with policymakers, bureaucrats and elected officials. Unduly close relationships between the regulator and the regulated party makes for ineffective, poorly enforced, biased rules that favour private corporate interests instead of protecting the public. Ironically, it is the very success of lobbying efforts that has resulted in the damaged public trust the corporate sector is attempting to repair with its social licence campaign.

When the Canadian public trust PR campaign was launched, its proponents stated that it would be a long-term, generational effort that will continue for 25 years. Both farmers and consumers need to be aware of the campaign, its goals and the interests behind it. Food Sovereignty is a useful frame to evaluate messages. Are they aimed at creating social license for corporations to increase their power over the food system? Or are they about democratizing and empowering farmers and eaters to make the food system work better for people, nature and future generations?

# INTERESTED IN POLICY?

The NFU has several committees and working groups that provide input to the Board and staff on policy-related topics and issues. Some of these groups currently have vacancies and are looking for new participants.

If you would like to get involved in any of them, please let the national office know. **Send an email to**<u>nfu@nfu.ca</u> with the subject line "Policy Groups" or
phone (306) 652-9465 and let the national office staff know which topics you are interested in.

### Topics:

Climate Change Direct Marketing GMOs and Pesticides Seed and Trade

Indigenous Solidarity Migrant Workers Trains and Grain

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<sup>1</sup> What Drives Trust? http://www.foodintegrity.org/about/ who-we-are/what-drives-trust/

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# Grain farmers—we want to hear from you!

re you a grain farmer? The NFU's Trains and Grain Committee would like to hear from you. This committee is responsible for analysing public policy matters pertaining to grain transportation and grain-related institutions, regulations, programs, policy and laws, to provide expertise on these matters to the NFU as a whole, and to promote our positions to other organizations and governments. They would like to hear from you and your neighbours to learn more about grain farmers' experiences with the grain companies, especially in the context of changes to the Canadian Grain Commission (CGC) and the dismantling of the Canadian Wheat Board. This will help the NFU advocate for farmers when we discuss the CGC's mandate and activities with the CGC's recently-appointed Chief Commissioner, Assistant Commissioner and Commissioner.

The Trains and Grain Committee has created an online form for people to fill in as an easy way to collect and organize farmers' stories. You can fill out the form anonymously, or if you wish to provide your name and contact information, there is a space where you can do so at the end. All responses will be kept confidential. Any identifying information will be removed and the results will be aggregated for reporting purposes. If you know of other farmers — whether NFU members or not — who might be willing to share their stories, please let them know about the survey too. Inviting them to do the survey might be a good way to open a conversation about how the grain trade is working for farmers these days.

Here is the link: <a href="https://www.surveymonkey.com/r/NFU-Grain-2017">https://www.surveymonkey.com/r/NFU-Grain-2017</a>. If you would like to do the survey but do not have access to the internet, call Ian Robson, Chair of the Trains and Grain Committee at (204) 858-2479 or call the National Office at (306) 652-9465.

Thanks in advance for getting involved in helping protect family farms through this important advocacy work!

# Do Farmers Really Believe a Market Exists For Grain Sales?

-by Kyle Korneychuk

Many farmers are complaining about the grain prices being offered this winter, especially for wheat. It is hard to find a port price for wheat. Data from Agriculture and Agri Food Canada states the average price this year is north of \$8.60 per bushel at Vancouver and even higher on the world market; yet farmers are receiving only a little more than \$6.00 per bushel at the farm gate.

Wannabe market gurus point to futures prices to indicate what farm gate prices should be. This is nonsense! Futures prices do not reflect actual grain sale prices. They only reflect what speculators are willing to hedge or insure for the small amount of grain not sold directly to end-use customers by the four or five big grain companies. The futures price does not reflect the actual sale price of the grain -- and it certainly does not predict the future either!

The zealots who say that the futures price serves as a price discovery mechanism are misinformed. The recent case of grain giant Archer Daniels Midland's violation of CME Exchange rules, whereby ADM, "maintained ownership and control of the accounts on both sides of the transaction" show a different story. This process, in which a trader buys and sells future contracts to himself or an entity he controls, is banned under futures law. The fine against ADM was only \$25,000, for a company that has a capitalization of about \$26 billion. This makes a joke of price discovery and the policing of these markets!!

This example shows the transparency that some farmers loudly clamored for years ago is just not possible the way the grain market works today.

—NFU member Kyle Korneychuk farms at Pelly, SK