



National Farmers Union

The Farm Income Crisis in New Brunswick and the need for immediate action

**Presentation to N.B. Minister of Agriculture, Hon. Ronald Ouellette
at Wicklow, New Brunswick
Monday, April 23, 2007**

Introduction

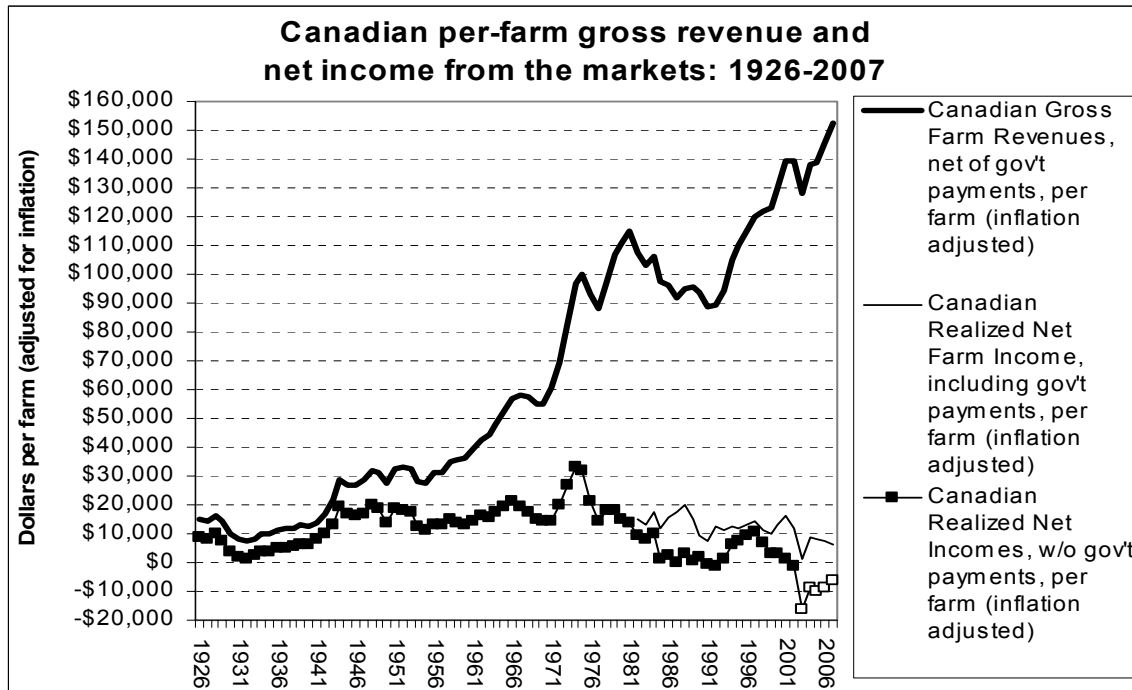
The NFU is a direct-membership, nation-wide organization made up of farm families. It was founded in 1969 and chartered in 1970 under a Special Act of Parliament. The NFU and its predecessor organizations have always worked to implement policies that help ensure agriculture is socially, environmentally and economically sustainable.

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

The Farm Income Crisis in New Brunswick

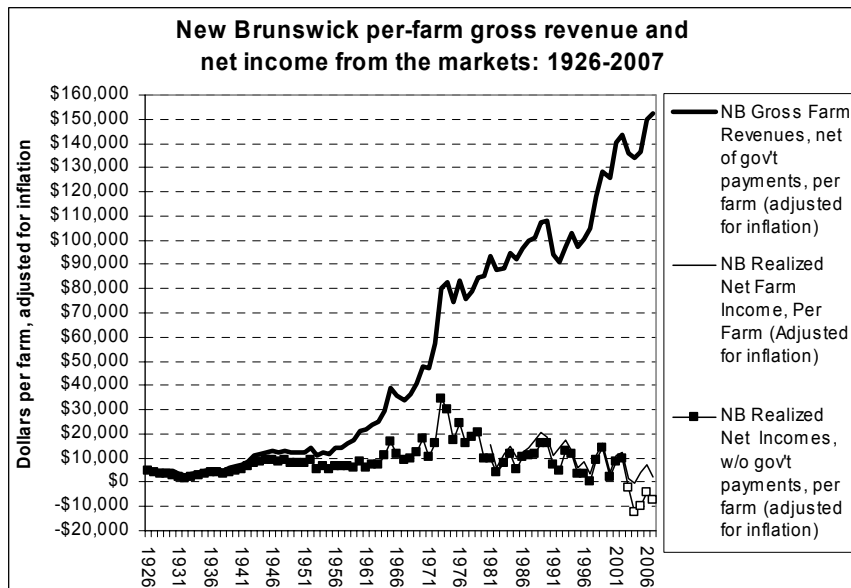
In New Brunswick, the last five years have been the worst in history for farmers. But this province is not the only one experiencing record low farm incomes. The following graph is based on Statistics Canada data. It shows the drop in Canadian net farm incomes, from already low levels in the 1990s, to the record-low levels of the most recent five years. Note that while net incomes hit record lows, gross revenues hit record highs. Farmers are creating more wealth and handling more money, but it's simply flowing through their hands and into the pockets of the corporate sector.

The problem is an imbalance in market power. While farmers have been racking up record losses, the agribusiness corporations that control the rest of the agri-food chain have been posting record profits. 2004 was the best year in history in terms of agribusiness profit; 2004 was the second worst year in history for farmers. The lesson here is that the allocation of profits within the agri-food chain is largely dictated by market power—huge transnationals with only two or three competitors have market power, individual farmers competing in a global market against a billion other farmers do not have market power.



When you look at the data, the most recent five years really stand out. The federal government's Ag. Policy Framework has been a disaster for farmers and rural communities. The facts speak for themselves. However, what the above graph does not reveal is the reality that a great many farmers who produce food for this country have had to take off-farm jobs just to feed their own families. According to Statistics Canada, small and medium-size farms rely on off-farm income for approximately 90% of their total income.¹ Meanwhile, even large farms with gross annual revenues between \$100,000 and \$499,000 rely on off-farm income for over half (52.1%) of their total income. And astonishingly, Canada's largest farms, with gross revenues over \$500,000 annually, depend on off-farm income for between 25.9% and 33.5% of their total income.

A similar trend in realized net farm income is clearly evident for New Brunswick. When you look at what farmers earn from the marketplace alone, the average net income, per farm, is *negative* \$10,000. Farm expenses account for a significant percentage of the gap between gross



¹ Statistics Canada, December 8, 2005 release. www.statcan.ca

and net farm incomes. Increasing machinery, seed, feed, fuel, fertilizer, interest and other input costs have all put increasing pressure on farmers. In New Brunswick, farmers are being hit with a 9.6% increase in electricity costs. This is just one of many cost increases related to higher energy prices. In 2006, fuel and fertilizer costs accounted for 15% of total Canadian farm expenses. For every one cent per litre increase in fuel prices, Canadian farmers' annual machinery fuel bill is estimated to increase by about \$28 million. For fertilizer, every one cent per kilogram increase in the price adds about \$61 million to Canadian farmers' annual fertilizer bill.² In 2006, farm fuel prices rose 6% from the previous year, adding a \$112 million increase to farmers' direct costs.

Farm debt has increased dramatically

In an effort to deal with these rapidly-rising costs, farmers are relying heavily not only on off-farm jobs, but also on debt financing. Canadian farm debt has increased from \$7.8 billion in 1981 to a staggering \$52 billion in 2006. Farm debt in New Brunswick has risen from \$52 million in 1981 to \$342 million in 2005 – an increase of 657.69%. While the majority of that debt is held by chartered banks and federal government agencies, the third largest creditor is “private individuals and supply companies”.³ The heavy reliance on trade-related credit is a good indication that farmers are stretched to the limit of their financial resources. This situation also poses a serious risk for those businesses in rural communities which rely on farmers.

The farm income crisis has impacted virtually all sectors of New Brunswick's agricultural community. For beef producers still reeling from the devastating effects of the BSE crisis, the current low prices for cattle combined with rising feed costs have left them little room to maneuver. The same situation applies to pork producers suffering from low commodity prices and high feed costs. But one sector which is particularly hard hit is potatoes – with prices for table and seed stock hovering between 3 to 5 cents per pound – well below growers' cost of production. Of approximately 300 potato growers in the province, an estimated 20 to 30 growers are expected to go out of business as early as this spring. This is a calamity that must not be allowed to happen.

Bridge financing required

Immediate action is required by the provincial government this spring in order to prevent the loss of up to 10 percent of New Brunswick's potato farmers. Similar programs may also be necessary to assist cattle and pork producers to cope with the impending financial crunch.

The NFU is urging the Government of New Brunswick to immediately implement a program of bridge financing for potato growers. This program would provide operating credit to cover potato farmers' input costs for spring planting. This bridge financing would be guaranteed by the provincial government, and would be made available to farmers through chartered banks, credit unions, and government lending agencies. The amount of the government-guaranteed loans would not exceed \$1,000 per acre, and the number of acres, per farm unit, eligible for coverage under the program would be capped at 300 acres. The loans would be based on a

² “Canada: Farm fuel and fertilizer expenses”, AAFC Bi-weekly Bulletin, March 30, 2007.

³ “Farm Debt Outstanding” Statistics Canada, November 2006. Catalogue No. 21-014-XIE

repayment period of ten years, with interest rates capped at a reasonable level for the duration of the repayment period.

Such a program is necessary because existing so-called “safety net” programs, including CAIS, are inadequate. Because CAIS is a margin-based program, farmers who have experienced steadily declining prices over the past three to four years are now in a position where their margins have diminished substantially and any payout would be inadequate.

NFU members in Prince Edward Island who grow potatoes – and who are also experiencing severely depressed prices for their commodities - have requested a similar program be implemented by their provincial government. We believe this type of program will enable farmers to weather the current crisis, and provide them with breathing space until a viable, orderly-marketing plan, aimed at ensuring farmers receive a fair price from the marketplace, can be implemented.

The Farmers Union is doing its part to increase farm income

Over the years, the NFU has worked to establish farmer-to-farmer trade projects with farmers in other parts of the world. This work is ongoing. As well, the NFU was instrumental in bringing the Canadian International Grains Institute (CIGI) to New Brunswick. Our aim was to have the international expertise of CIGI engaged in helping potato farmers in New Brunswick cultivate new markets abroad.

Currently, the NFU is working to build links with the National Farmers Organization in the United States. Again, the goal is to help farmers in New Brunswick and across Canada market our production more effectively.

And finally, the NFU is concluding an agreement with Farmers of North American (FNA) in order to give our members in New Brunswick access to collective buying of farm inputs of all types. As the preceding graphs point out, the incredible escalation in farmers’ costs have created havoc for the farm community. Collective buying will not, in and of itself, solve this problem, but it is another tangible way the NFU is working to increase farmers’ net incomes.

Conclusion

The farmers of New Brunswick have been the bedrock of this province for well over two hundred years, and the provincial government needs to move quickly to ensure there is a future for our rural communities. An emergency loan guarantee program is absolutely vital at this time.

In the long term, the provincial government also needs to seriously re-examine its proposal to phase out its participation in the federal-provincial equalization funding program. Under the guise of “self-sufficiency”, the provincial government appears to be jeopardizing programs that are of tremendous benefit to the farm community, and which are essential for ensuring the infrastructure of rural areas.

**All of which is respectfully submitted
By the National Farmers Union**