



**Submission by the National Farmers Union
on
The Farm Income Crisis and
The “Next Generation” Agricultural Policy Framework
(APF II)**

**Presented to the
House of Commons
Standing Committee on Agriculture and Agri-Food
Ottawa, Ontario
February 22, 2007**

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Introduction

The National Farmers Union welcomes this opportunity to bring the views of its family farm members to the House of Commons Standing Committee on Agriculture and Agri-Food.

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 NFU also believes that food production should lead to enriched soils, a more beautiful countryside, jobs for non-farmers, thriving rural communities and healthy natural ecosystems. The decimation of rural communities, growing environmental problems, plummeting farm numbers and the present farm income crisis raise serious questions about current national agricultural and trade policies.

The current Agricultural Policy Framework (APF), in particular, represents a major concern for our membership. During the past five years since the APF was implemented, there has been a dramatic decline in the viability of family farm operations across the country. Not only have farmgate prices declined for most major commodities, but input prices for machinery, seed, fertilizer and credit have increased while infrastructure and regulatory costs have been downloaded directly onto farmers.

The farm income crisis and the APF

The latest round of public consultations on the so-called “next generation” of Canadian Agricultural Policy Framework have been conducted across Canada, and we have encouraged our members to participate in these consultations. Our members volunteered their time and energy to travel to these consultation meetings, often over very long distances in very inclement winter weather, at their own out-of-pocket expense.

The NFU believes we must take every opportunity we can to make our voices heard if we are to help turn around decades of destructive policies.

At the heart of the debate over farm policy is the question of realized net farm income. Farmers are the foundation of the food system. We are the producers of wealth, and the simple fact is that we need to earn a fair return on our labour and investment. Any agricultural policy that downplays or ignores the legitimate requirements of family farmers in order to boost the profitability of processors, exporters and other components of the food system is inherently inequitable and unsustainable.

While the current APF was implemented about five years ago, it is actually a continuation of policies that were put in place decades ago. In December, 1969, the Report of the Federal Task Force on Agriculture was released by the federal government. This Task Force was commissioned in the fall of 1967 to make a comprehensive assessment of Canadian agriculture and to make recommendations concerning policies and programs for the future. Among its recommendations was that two-thirds of family farmers at that time should be forced out of agriculture, and that those who remain would be more closely integrated with “agribusiness” through production contracts and debt financing.¹

This document spelled out the policies that would guide government over the next forty years. As the NFU noted succinctly in its analysis at that time: “What the Task Force is saying is that if there is any money to be made in the food industry, it should be made by corporations, not farmers!”² Unfortunately, the self-fulfilling prophecies made by that Task Force have certainly come to pass: the farm population of Canada has declined from 9.8 percent of the total Canadian population to fewer than 2 percent; and the money that was to be made in the food system has certainly gone to the corporate sector.

In 2003, the NFU released a ground-breaking document entitled: “The Farm Crisis, Bigger Farms, and the Myths of Competition and Efficiency”. This report tracked the trends of the last fifty years and revealed that while farmers have become more efficient, the benefits of that productivity have been captured by processors, input suppliers and other players in the food system. Farmers produced increasing amounts of commodities, but the actual realized net incomes from those commodities declined – year after year. The gap between gross farm income and realized net farm income has widened.

¹ Canadian Agriculture in the Seventies: Report of the Federal Task Force on Agriculture, D. R. Campbell, P. Comtois, J.C. Gilson, D.L. MacFarlane, D.H. Thain, Queens Printer for Ottawa, December, 1969

² “NFU reveals Task Force real objectives”, Union Farmer, August, 1970.

When the APF was implemented five years ago, realized net incomes per farm were at virtually zero in Canada. Since then, we have seen the worst five years of realized net farm incomes in the history of the country. At the same time, we have seen corporate agribusiness “earn” record profits.³ In 2004, when average realized net farm income from the marketplace was negative \$10,000 per farm, forty-one of Canada’s largest agribusiness companies posted the largest profits in their history.

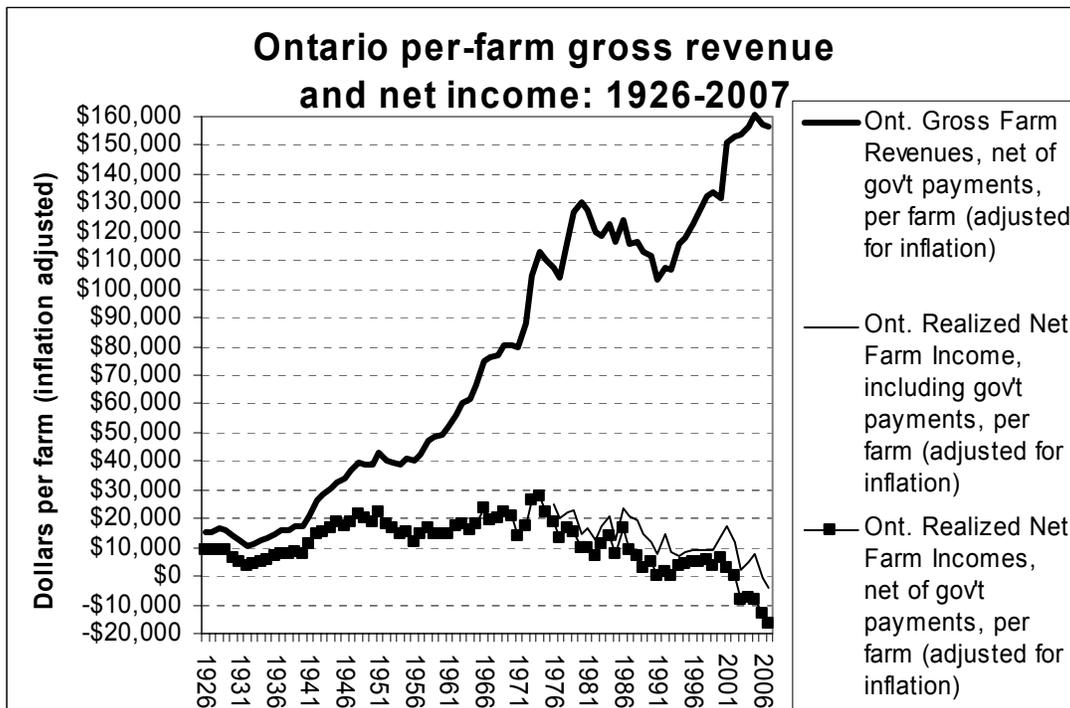
Clearly, if the APF was designed to ensure that all players in the food system except farmers made money, then it was working well.

But in farmers’ eyes, the policy has been an unmitigated disaster.

Ontario farm income crisis a reflection of a national problem

In Ontario alone, the last five years have been the worst in history. Those five years of record low net incomes – from 2003 to 2007 – coincide exactly with the years of the APF.

The graph below is from Statistics Canada data. It shows the drop in Ontario 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.



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.

³ The Farm Crisis and Corporate Profits: A Report by the National Farmers Union, November 30, 2005.

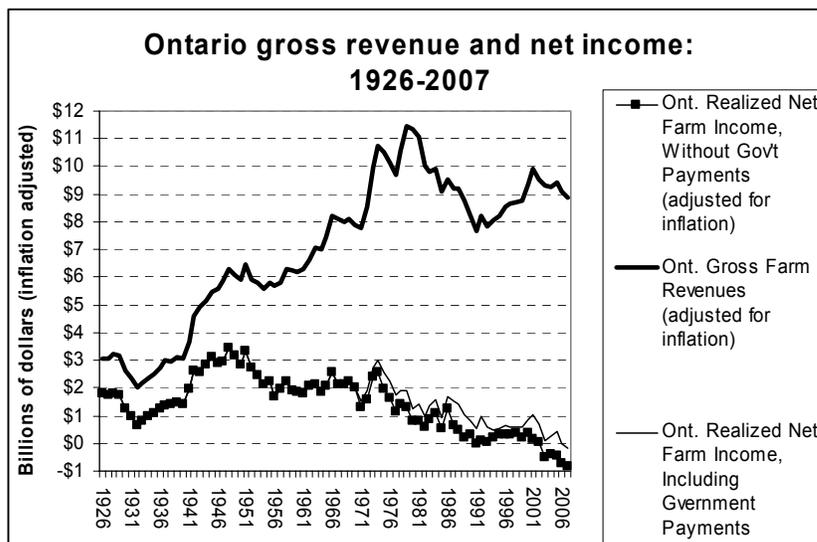
The federal and provincial governments' APF policies have perpetrated a devastating magic trick. They've turned a record average gross revenue of \$150,000 per farm into an average realized net income of negative \$15,000 per farm.

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.⁴ 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.

In the face of this reality, how can policy-makers continue to suggest that the key to prosperity for the "agri-food" sector is to squeeze farmers even harder?

Some policy makers and analysts have raised objections to the NFU's practice of listing farmers' revenues and incomes on a "per-farm" basis. The implication is that doing so somehow distorts the data and creates the illusion of an income crisis. The graphs that follow show this is not the case.

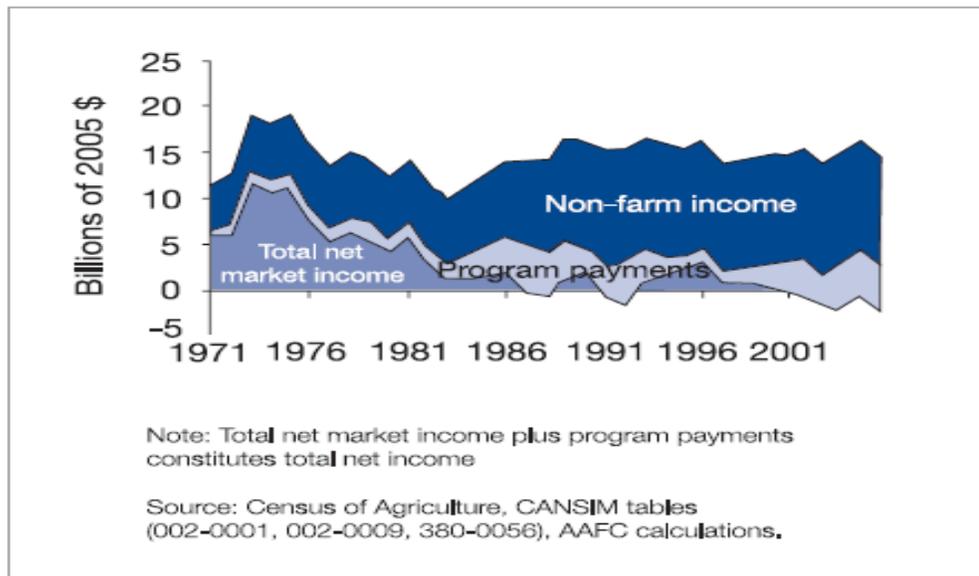
The graph below plots farmers' revenues and net income in aggregate, in billions of dollars. Note that the net income declines are just as sharp and steep in this version as in the version that uses per-farm numbers. The past five years remain the worst in history.



This next graph is produced by Agriculture and Agri-Food Canada. It graphs net revenues and incomes for all of Canada. Note that it, like the NFU's graphs, shows that farmers' net

⁴ Statistics Canada, December 8, 2005 release. www.statcan.ca

incomes from the market (the bottom wedge) collapsed to around zero in the mid-'80s, and that they've been consistently in negative territory over the past five years.



The farm income crisis is very real. It is not a product of data manipulation. It is a product of destructive federal and provincial policies and rising agribusiness power.

Conclusion: Farm income must be the central focus of farm policy

The experience of NFU members who participated in the APF consultation meetings across the country was, in many ways, frustrating.

While the so-called “next generation” of farm policy was hyped as being new and visionary, it actually constituted little more than a continuation of existing policies. As noted above, the loss of family farmers, and the dramatic decline in net farm incomes, proves these existing policies are not working in the country’s best interests.

The APF II background paper ironically downplayed the economic contribution of farmers by citing their increased productivity [fewer farmers producing increasing quantities of commodities]. Farm income, which should have been the focus of the consultations, was entirely absent from the background documents. Farm income must be the central pillar of farm policy. In order to achieve higher farm incomes, farmers must be able to increase their market power through collective orderly marketing agencies. Therefore, farm policy must facilitate and encourage the formation and strengthening of these structures. Federal policy must also rein in the growing economic power of privately-owned corporations by beefing up the Competition Act and providing the Competition Bureau with the necessary powers to act in the public interest.

All of which is respectfully submitted

By the National Farmers Union