Submission by the National Farmers Union
Region 6 (Saskatchewan)
on
Selected Rural and Agricultural Issues
to the Government of Saskatchewan

Regina, Saskatchewan

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Introduction

The National Farmers Union welcomes this opportunity to bring the views of its family farm members to the Government of Saskatchewan. The NFU is a direct-membership, nation-wide organization made up entirely of farm families. It was founded in 1969 and chartered in 1970 under a Special Act of Parliament. The NFU and its predecessor organizations [the Saskatchewan Farmers Union, the United Farmers of Canada (Saskatchewan Section) and the Farmers Union of Canada (Saskatchewan Section)] have always worked to implement policies that help ensure agriculture is socially, environmentally and economically sustainable.

While NFU members in Saskatchewan 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.

Evidence is rapidly building that the current high-input, export-oriented, expansionist model of agriculture is not sustainable. That evidence includes: the current farm income crisis, environmental problems such as global warming, the transfer of many sectors of our economy to foreign multinationals, crumbling infrastructure, the loss of farmers and the destruction of rural communities.

This brief will highlight some of the key issues confronting Saskatchewan family farms and rural communities, and advance solutions which the Saskatchewan Government may act on.

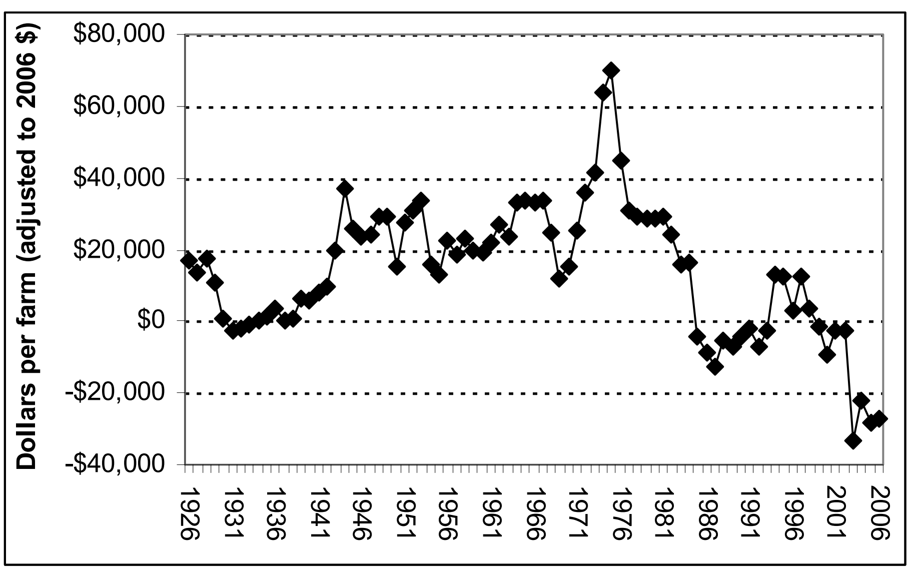
The Farm Income Crisis in Saskatchewan

The labour and investment of Saskatchewan's farm families have historically provided the backbone for the provincial economy. This is one of the richest agricultural regions of the country, accounting for a large percentage of the nation's farmland base, but the wealth produced in rural communities is increasingly being siphoned off, through unequal market relations, to the benefit of the corporate sector.

The farm income crash continues to take a tremendous toll on the province's rural communities. Last month, Agriculture and Agri-Food Canada released figures which show that Saskatchewan net income numbers are actually worse now than they were during the Great Depression of the 1930s, after taking inflation into account.

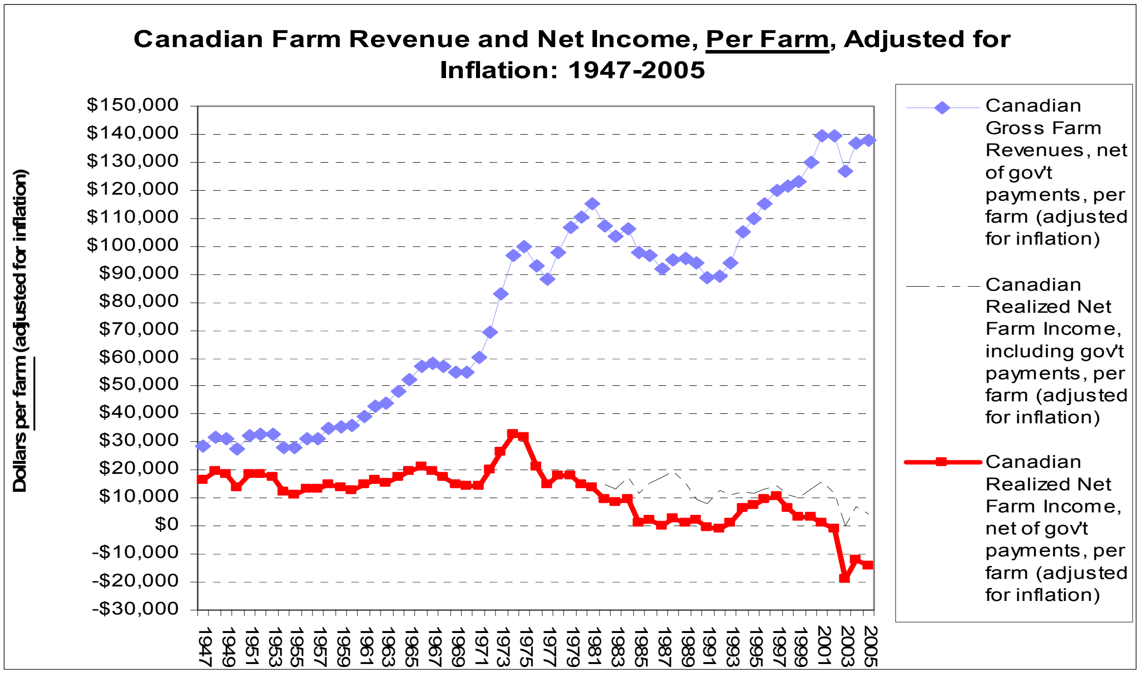
Projections indicate that in 2006, the average Saskatchewan farmer's net income from the markets will be negative $27,000. The following graph uses Agriculture and Agri-Food Canada and Statistics Canada realized net farm income numbers, subtracts government payments to show net income from the markets, divides net income by the number of farmers, and adjusts those per-farm net incomes for inflation to allow comparability with past years.[1] Despite record government program payments in both 2004 and 2005, Saskatchewan's net incomes are expected to be the second lowest in the country, behind only Manitoba.

Saskatchewan realized net incomes from the market, per farm, adjusted for inflation: 1926-2006



The markets have paid a positive net return to Saskatchewan farmers in only five of the last 22 years. Year after year, farmers have been forced to rely on off-farm income, debt financing, taxpayer support, and the depletion of savings and equity. In recent years, farmers have encountered severe weather-related difficulties across much of the province. Clearly, however, the long-term downward trend in market returns cannot be blamed entirely on natural causes. What we are seeing at the present time is not a temporary aberration. Something else is happening in the marketplace which must be addressed.

As the following graph illustrates, gross farm revenues have increased steadily since the end of World War II, but realized net farm incomes have not kept pace. In fact, realized net farm incomes have fallen to the point where the average is well below zero.[2]

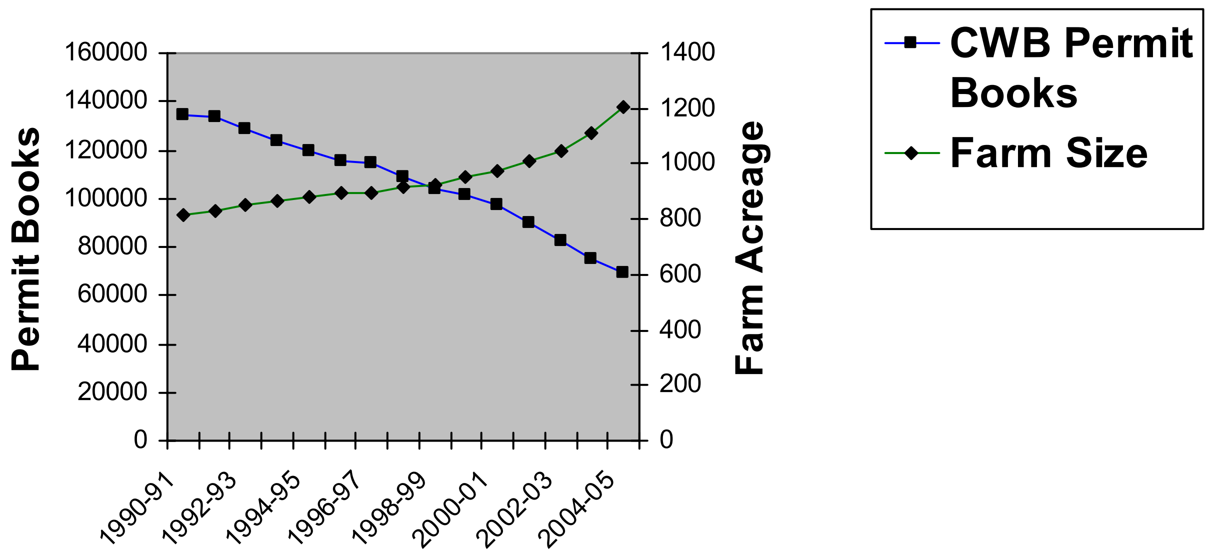


The high cost of inputs such as seed, fertilizer, machinery and petroleum has accounted for much of the transfer of wealth out of the hands of farmers. Despite increases in production as farmers have adopted new technology, they have also faced falling prices at the farm gate for the commodities they produce. The bottom line is that farmers are producing more for less, while retailers, processors, distributors and input suppliers are capturing the profits.

While new technologies and inputs have helped farmers increase production by about $18 billion (from about $17 billion in the 1940s to about $35 billion today), the corporations that sold those inputs and technologies to farmers swallowed up not only the entire $18 billion in increased production revenue, but an additional $8 billion as well, driving farmers' net income down. Farmers increased their output and gross revenue, but input and technology makers captured 144% of that additional revenue.

The bottom line is that over the past fifty years, for every dollar that new technologies and inputs have contributed to farmers' net revenue, farmers have been made to pay $1.44!

This trend toward increasing reliance on technology is reflected in the changes in the number and size of prairie farms over the past several decades. As prices for commodities have fallen, farmers have tried to compensate for that lost revenue through increased production. In addition to taking on additional debt to purchase new technologies, farmers have expanded their land base.



Source: Canadian Wheat Board, presentation by Adrian Measner to NFU-sponsored CWB Symposium in Regina, February 24-25, 2006

For the past several decades, ownership of our agricultural resources has become concentrated in fewer and fewer hands. The massive market power of these corporations is reflected in their ability to set prices both up and down the food chain from the farm gate. Nowhere is this more clearly demonstrated than in the beef packing sector. Cargill, a global US –based corporation, was recently granted approval from the federal Competition Bureau to swallow its Ontario-based competitor, Better Beef. Cargill now controls 50% of the packing capacity in Canada. Three packing companies (Cargill, Tyson, and XL) control over 85% of the national market.

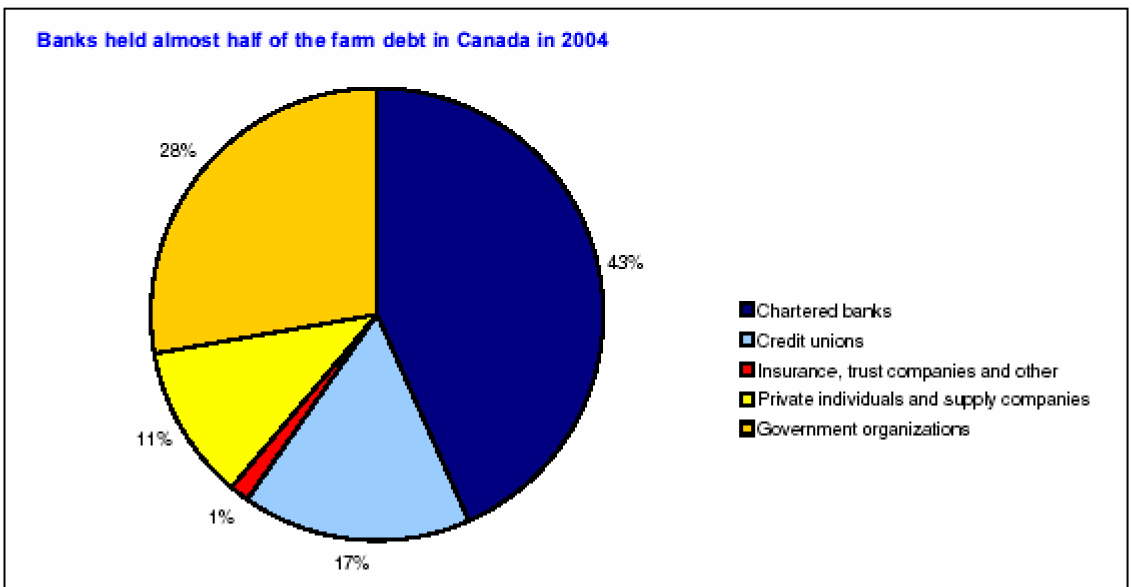
But concentration of ownership in meat packing is not the exception, it is the rule. The same trend is evident in every link of the agri-food chain – from input suppliers to processors, distributors and retailers. Through vertical integration, companies are able to depress prices they pay to farmers at the farm gate, while maximizing the prices they extract from farmers for inputs such as seed, fuel and fertilizer.

A recent study published by the NFU documents a disturbing phenomenon: while net farm incomes have fallen to record lows, and appear to be falling even further; corporate profits are at an all-time high, with analysts predicting even bigger profits in the years to come.

It is a matter of record that 2004 was a disastrous year for farmers' net income. The stunning severity of the income crash prompted the federal government to undertake a cross-country series of consultations to determine the causes of the disaster.[3]

But for agribusiness corporations that dominate the Canadian marketplace, 2004 was the best year in their history, as their profits hit record levels. Of the 75 companies profiled in the study for which profit data was available, 41 posted record profits, while a further 16 had near-record profits or their second-or third-best year ever. A total of 57 of 75 companies – 76% - had their best year, or nearly their best. None of the listed corporations experienced a record or near-record loss.[4]

Farmers, meanwhile, are struggling to make ends meet by relying on off-farm jobs, drawing down their equity, and taking on additional debt. Between 1981 and 2004, total Canadian farm debt more than doubled, from $18.279 billion in 1981 to $48.938 billion.



in 2004.[5] The majority of that debt is held by large chartered banks.

In Saskatchewan, total farm debt increased from $4.921 billion in 1981 to $6.775 billion in 2004. Of that total, $2.2 billion is held by chartered banks, followed by federal government agencies with $1.859 billion and credit unions with $1.691 billion.[6]

The dysfunctional marketplace which rewards large corporations at the expense of family farmers did not happen by accident. It is the result of policies at both the federal and provincial levels that have deliberately undermined and eroded farmers' cooperative and collective marketing structures. We have seen the demise of single-desk marketing agencies in Saskatchewan for cattle and hogs, and we are currently fighting to retain the Canadian Wheat Board's single-desk marketing powers for wheat, barley and durum. Our rail transportation network has deteriorated to the point where service on branch lines for producer car shippers is almost non-existent. We have witnessed a corresponding acceleration in the pace of rural depopulation.

Despite record amounts of oil royalties flowing into the provincial treasury, there is a serious cash drought in Saskatchewan's rural communities.

Solutions to the farm crisis

In 2005, the NFU prepared a comprehensive brief entitled "Solving the Farm Crisis: A 16-point plan for Canadian farm and food security". In that document, we suggest a number of recommendations to overcome the farm income crisis.

These recommendations include:
1. Guarantee farmers their costs of production;
2. Set aside land and modulate grain supplies;
3. Control the power and profits of input manufacturers;
4. Help farmers adopt more sustainable practices to enable them to unhook from dependence on high-cost inputs;
5. Modulate supplies of non-grain corps and meat;
6. Expand orderly marketing agencies and supply-management systems;
7. Ban corporate farming and exercise increased control on contracting;
8. Lower costs for transportation of western grain movement;
9. Control supermarket and processor power;
10. Mandatory labelling of food products to reveal the presence of GM foods and country of origin;
11. Encourage organic and local food consumption;
12. Implement intergenerational farm transfer programs;
13. Support rural communities;
14. Adopt food trade policies which refocus on domestic production rather than boosting exports at any cost;
15. Adopt policies aimed at ending hunger in Canada;
16. Include food and nutrition policies in the larger health policy.

While many of the recommendations outlined above are the responsibility of the federal government, there are also numerous initiatives that fall within the jurisdiction of the provincial government. For example, current initiatives that give farmers more power – including the Canadian Wheat Board and the Farmer Rail Car Coalition – need continued support from the provincial government. Additional support for organic agriculture initiatives while re-evaluating government financial support for intensive livestock operations is another way the provincial government can strengthen appropriate-scale, locally-owned food production within the province.

Canadian Wheat Board

The Canadian Wheat Board is under attack. Internationally it is in the crosshairs at the World Trade Organization (WTO) negotiations. Domestically, the CWB is being pulled apart by the federal government. The CWB is viewed by the large multinational grain corporations as the single biggest hurdle to overcome in order to gain control over the Canadian grain industry.

On February 24, and 25, the NFU, in cooperation with the University of Regina Department of Sociology and Social Studies, and the University of Regina Department of Justice Studies, sponsored a symposium on the Canadian Wheat Board. This symposium, which was attended by Agriculture Minister Mark Wartman and many officials within the provincial government, was designed to provide an educational forum on the benefits of the CWB. We would like to thank you for your attendance at that symposium.

The Saskatchewan Government must strongly support the CWB single-desk sales mechanism. Studies have shown there would be tremendous economic losses to the Saskatchewan economy if the CWB single-desk is dismantled. The provincial government would be hard pressed to backfill these additional losses which would come on top of an already-depressed farm economy.

The CWB, in combination with the Canadian Grain Commission (CGC), is the glue that holds the system together to protect farmers' interests. Without the CWB, the market power which farmers still exercise within the overall system will collapse. Producer-car loading rights, grain quality standards, long-term markets and price premiums will be wiped out if the federal government succeeds in dismantling the CWB's single-desk.

The vast majority of western Canadian farmers support the Canadian Wheat Board because they know it works in their best interest and puts money in their pockets.

Here are sixteen reasons why farmers support the CWB:

1. Market power: The CWB sells between $3.3 billion[7] and $6.2 billion[8] worth of Canadian wheat and barley annually. This volume makes it one of the largest players in the international grain trade, controlling over 13% of the world's wheat export market and 49% of the world's high-quality wheat supply. The CWB also controls 23% of the malting barley export market. (These percentages are based on 5-year averages.)

2. Price Premiums: Independent studies show the CWB delivers significant price premiums to farmers. Barley premiums average $72 million[9] annually and wheat premiums average $265 million[10] annually. While premiums fluctuate year to year, "benchmarking" studies – designed by independent economists and audited by Deloitte and Touche - show that CWB wheat premiums in the 2000-01 crop year (the most recent year for which we have data) amounted to $160 million.

3. Savings in marketing costs: Price pooling means that farmers can avoid costs associated with open-market futures, contracts and hedging. Price pooling means low-cost risk management. Further, given the large size of the Canadian wheat and barley crops, and the comparatively thin trade on futures markets, it is simply impossible to hedge the entire Canadian crop.

4. A strong voice in transportation: During the Estey and Kroeger consultations, when the railways pushed hard for deregulation and higher freight rates, the CWB was a key ally and counterweight to railway power. In the winter of 1996-97, the railways prioritized the movement of other commodities and let grain sit; the CWB acted and won a multi-million-dollar Level of Service complaint on behalf of farmers. The CWB has helped farmers compel railways to provide service to short lines and producer car loading facilities. The CWB worked in coalition with farm groups for nearly a decade to gain ownership of the government's grain car fleet. And the CWB's co-management of the handling and transportation system earns farmers millions in premiums when ships are loaded and leave on time – "despatch" earnings were $15 million in 2003-04.

5. Market Development: Because Canadian wheat is recognized for its high and consistent quality, it is a differentiated product in the world market. The CWB is the sole marketer of that differentiated, high-quality product. Because it need not fear that other marketers of similar wheat can "free ride" on the CWB's investments in market development, it can invest in such development and farmers can reap the rewards.

6. Losing the CWB is irrevocable: If farmers give up the CWB's mandate over wheat or barley marketing, we can't get it back. Chapter 11 of the North American Free Trade Agreement (NAFTA) says that if we turn over control of (and profits from) wheat or barley marketing to grain companies, we can't reverse that decision without paying those companies billions in compensation for lost profits – present and future.[11]

7. There's no such thing as a dual market: To understand the so-called "dual market," ask how such a proposal differs from the existing US system. In a dual market, grain companies would buy and sell grain on a cash basis while the CWB would be allowed to operate voluntary pools as a sort of co-op. Currently, however, in the United States, the grain companies buy and sell on a cash basis and a few farmer-owned cooperatives offer pooling. In practice, the proposed "dual market" would be identical to the current US system. Once we understand this, we understand that there really is no such thing as a dual market; there is only a choice between the CWB and the US-style system with markets controlled by Cargill and other large multinationals.

8. You can't trust Cargill: During the BSE crisis, we watched Cargill use its market power in the beef-packing sector to push down prices to farmers, maximize profits, and position itself as a primary beneficiary of taxpayer-funded support. Weakening the CWB means putting Cargill and similar companies in charge of wheat and barley sales. After what they did to us on beef, why hand them control of wheat and barley?

9. The end of the Canadian system: Losing the CWB will begin a process of seamlessly integrating Canada's grain quality, grading, marketing and transportation system into the US system. Like the CWB, the Canadian Grain Commission (CGC) is under attack from grain companies who want more "freedom" to operate. If the CWB goes, so does the CGC, so does our east-west grain transportation system, so does our quality system, so does the distinct Canadian identity of our grain and our marketing advantage. If the CWB falls, the dominos will keep toppling until our grain-growing area is just the northern extension of the US system.

10. It's farmers' decision to make: The CWB is the farmers' marketing agency, and it is up to farmers whether we keep or scrap it. It is not up to the WTO or one political party. After clear victories in numerous Advisory Committee elections, the Barley Vote, and four CWB Director elections, it would be unconscionable to ignore these clear displays of farmers' support and to unilaterally dismantle the CWB. Whether a farmer supports or opposes the CWB, that farmer should support farmers' right to make key decisions on the Board's future.

11. The CWB is the most transparent and responsive grain marketer in the world: The CWB publishes a detailed annual report; the Auditor General scrutinizes its books; farmers with questions can dial 1-800-ASK 4 CWB; the Board is overseen by accountable, elected Directors who hold regular meetings; the Board publishes "Grain Matters' and other publications to answer farmers' questions. The private grain companies that would replace the CWB are just that: private – no elections, no Auditor's reports, no farmer accountability. Shareholders judge these companies on the criteria of profit – how much money they can capture from farmers.

12. Genetically-modified wheat: The introduction of genetically-modified (GM) wheat would have cost Canadian farmers hundreds of millions of dollars annually in lost markets and increased agronomic costs. The CWB's integrated market information system enabled the Board to quickly survey our customers and to assess possible losses. Having identified a huge potential loss, the CWB strongly opposed the introduction of GM wheat. Private grain companies were not able to assess market impact, nor did they rouse themselves to intervene in the GM wheat debate – presumably because any losses would accrue to farmers, not to grain companies.

13. CWB pooling facilitates orderly, smooth delivery through a constrained system: The US has one bushel of storage for every two bushels of production. Canada has one bushel of storage for every ten to fifteen bushels of production. Canada's ports, especially on the West Coast, are extremely constrained. Canadian infrastructure can't support a "rush" system where farmers hold back grain much of the year, and then attempt to deliver during brief price spikes.

14. The Producer Direct sales program: Farmers who think that they can gain a premium in any market (capture a price higher than the CWB can) have the freedom to market their own grain through the Producer Direct sales program. The CWB's buy-back price under this program ensures that individual farmers will not undercut CWB sales prices, but that farmer can capture and pocket any premiums they identify.

15. We'll lose blending premiums. Currently, the CWB captures quality gains due to blending on behalf of farmers. Without the CWB, those millions would go to grain companies. Furthermore, the CWB's larger volumes and broad geographic scope allow it to blend grains from various parts of the prairies – reducing the impacts of localized quality problems and raising the aggregate value of western Canadian grain.

16. Crow II? The combined dollar benefits from the CWB – higher prices, marketing cost savings, transportation, etc – add up to nearly $700 million per year. When farmers lost the Crow benefit in 1995, we lost about $700 million per year. The effects on rural western Canada of that loss have been devastating – over $7 billion in net farm income over the intervening ten years. Losing the CWB will have an equally large cost and equally devastating consequences.

The Saskatchewan Government has historically been a strong supporter of the CWB, and in recent months it has reiterated that support. The NFU urges the Saskatchewan Government to continue taking a leading role in defending the Canadian Wheat Board single desk.

Rail lines and transportation

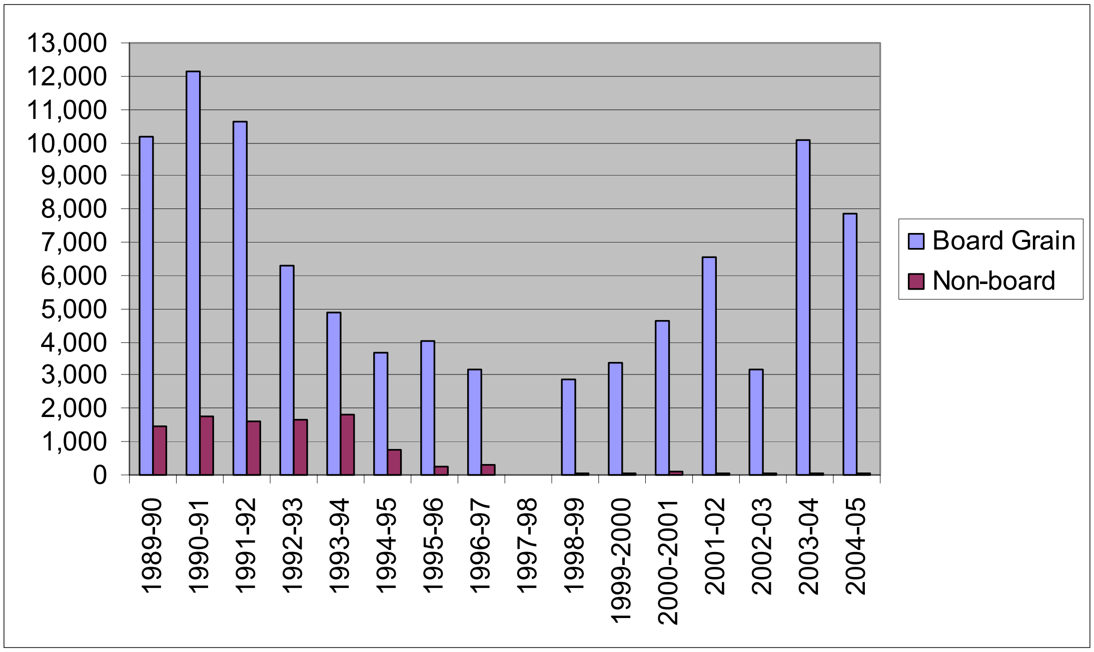
The National Farmers Union, as a founding member of the Farmer Rail Car Coalition, would like to extend a sincere thanks to the Saskatchewan Government for its ongoing support of the Coalition. In addition to a large financial contribution, the provincial government has also supported the Coalition's efforts by allowing Saskatchewan Grain Car Corporation staff to provide technical advice and other assistance.

Recently, the federal government agreed to the FRCC's bid to obtain the fleet of federally-owned hopper cars. However, it will still take several months before the farmer-owned leasing agency is fully operational and obtains the necessary credit arrangements with financial institutions. In the interim, it is vital that the Saskatchewan Government continue to offer its support to this project by providing bridge financing and legal advice.

The demise of the rail transportation network in Saskatchewan is having a profoundly negative effect on family farms and rural communities. In 1970, western Canada had 4,984 elevators. Today, only 384 remain.[12] At the same time, grain production has increased approximately 150%. Despite the efficiencies gained by railway and grain companies by the consolidation of their facilities, farmers are paying increasing costs for railway freight, elevator tariffs, on-farm storage and trucking. In addition, increased reliance on primary and secondary roads leads to increased taxes for all residents of Saskatchewan, including farmers.

In the past several years, there has been a trend toward increased use of producer-car loadings. Producer cars reached a peak in the 2003-04 crop year. In the first nine months of the 2004-05 crop year, producer-car shipments fell by 17.6% from that peak,[13] for a total of 4,965 cars, but this was due primarily to the adverse impact of reduced grain quality. It is important to point out that virtually all producer cars were loaded with CWB grains. The fact that producer cars were not used extensively for non-Board grains reflects the fact that the CWB is a critical component in farmers' marketing and risk-management strategies.

Producer car loadings for CWB Board grains and non-Board grains 1989-2005



Source: CWB Presentation by Adrian Measner to the NFU-sponsored CWB Symposium in Regina, November 24-25, 2006

The recent increase in producer-car loadings illustrates not only the importance of the historic right of farmers to load their own cars, but also the necessity of the Canadian Wheat Board's involvement in assisting producer-car loading facilities operate efficiently and ensuring there are port facilities which will unload those cars at tidewater.

The NFU recommends the Government of Saskatchewan exercise its rights under the Canadian Transportation Act and purchase all rail lines in Saskatchewan scheduled for abandonment and destruction. The province could accumulate branchlines for several years. This would have several benefits:

1. Communities, co-ops, or regional railways would have a better chance of starting a shortline operation on a network of lines rather than trying to start an individual shortline on each chunk of track that becomes available;

2. The province could lease track to shortlines. Communities could more easily set up shortlines if the task of start-up was separated from the task of raising millions of dollars to buy track; and
3. The announcement of such a plan would likely slow abandonment.

In addition to branchlines, farmers need loading facilities. Some farmers may choose to build their own and, minimally, they need regulatory structures that allow them to do so. If farmers are to build their own facilities, access to sidings is essential. Currently railways are destroying sidings at an alarming rate. And where sidings do exist, farmers have difficulty gaining permission to build along them.

The NFU recommends the provincial government pressure the federal government to stop CN and CP from tearing up sidings.

Carbon Credits

Canada is a signatory to the Kyoto Protocol, which entered into force on February 16, 2005. Under this agreement, Canada has agreed to reduce Greenhouse Gas (GHG) emissions to 6% below 1990 levels. But it is clear we are not living up to this obligation because our GHG emissions have instead grown by 24%. Canada has until the end of 2012 to meet its obligations.

Analysts have concluded that while agriculture accounts for less than 10% of GHG emissions in Canada, it has the potential to provide over 20% of the nation's solution. In addition to reducing emissions through increased energy-efficiency, agriculture can contribute through storage of Carbon Dioxide in the soil – otherwise known as a "carbon sink." The Kyoto Protocol recognizes carbon sinks as one tool for meeting a country's commitment.

Unfortunately, the Kyoto Protocol also gave its blessing to a system of trading "Carbon Credits" through a commodity exchange called the Offset Trading System. There are only two buyers in this commodity exchange: governments and Large Final Emitters (LFEs) – such as the oil industry. Under the current setup, suppliers of carbon credits can only sell domestically within the country of origin. However, buyers of carbon credits can purchase on the international market. The Canadian government has set an arbitrary $15 per tonne upper limit on the price of carbon credits in Canada. This directly benefits LFEs because they will be able to buy cheap carbon credits on the domestic market. At the present time, a similar system in place in Europe has carbon credits changing hands for more than double the ceiling price in Canada.

The Government of Canada has also arbitrarily stated that carbon sinks created prior to 2000 become part of the "national treasure" and are presumed to belong to the Crown. Farmers who initiated soil conservation measures to reduce tillage after the year 2000 will be eligible for carbon credits, but they will receive only a small portion of the $15 trading price because traders, insurers, and other players in the system will all claim their cut. Thus, farmers – particularly those who have implemented conservation practices prior to 2000 – must relinquish a large portion of what otherwise would be considered a valuable commodity.

Since Saskatchewan has 45% of all agricultural land and 50% of cultivated land in Canada, Saskatchewan has at least 50% of the agriculture sink potential. While many farmers have heard about carbon credits, the majority of them are not well informed on how they can take advantage of this opportunity. In an effort to obtain cheap credits, some companies may try to exploit producers' ignorance on the issue and have them sign sales agreements that either do not fairly compensate producers and/or saddles them with long-term liability.

For those farmers creating soil carbon sinks who will be able to participate in the sink Offset Trading System, there are two potential ways of selling their credits:
1. They can sell permanent Offset Credits (commoditizing the removal), or:
2. They can lease out Temporary Credits (TC – providing a storage service).

The big disadvantage of the first method is that while soil sinks can be created and maintained through proper land management, they can also be destroyed by factors beyond the farmer's control (such as weather). Unscrupulous carbon credit buyers could strip farmers of potential value and saddle them with liability for the duration of their farming career. It's like the sale of mineral rights. Farmers would be very vulnerable if they signed a contract now that provided cash up front, but left them liable to ensure continued carbon storage capacity in the future.

The advantage of the second method is that the farmer is effectively renting or leasing storage capacity on an annual basis to the LFE or government, and will not be held liable in the future if and when the storage capacity of the soil deteriorates.

Clearly, Canada's current federal policy position devalues the role that Canadian farmers play in helping the Canadian commitment to the Kyoto Agreement on reduction of Greenhouse Gases. Because farmers' actions are in large part responsible for creating and maintaining agricultural soil carbon sinks, the value generated by these soil-based carbon sinks must accrue to the producer creating the carbon sink.

The NFU policy, adopted in November, 2000, states: "Carbon can be sequestered through proper soil conservation practices. There are proposals to measure stored carbon in terms of carbon credits which may be commodified and traded amongst countries. It seems very likely that carbon credit trading will result in richer countries buying credits from farmers in developing countries and this practice may allow for actual increases in greenhouse gases. Therefore, the NFU believes that individual countries must b responsible for greenhouse gas reduction within their own borders. The NFU further believes that carbon credits should not be commodified and traded between nations, companies or individuals."

The emergence of commodity exchanges for carbon credits over the past several years now poses serious pitfalls for farmers, as outlined earlier. It is, therefore, essential that farmers be educated about the risks associated with carbon credit trading.

The NFU recommends that the provincial government fund the proposal recently submitted by the Saskatchewan Soil Conservation Association (SSCA) to educate farmers about carbon credits.

Funding for U of S Disease Investigation Unit

The NFU would like to thank the Saskatchewan Government for instituting $30,000 in funding for the Disease Investigation Unit at the Western College of Veterinary Medicine. This funding will cover some of the costs of laboratory analysis. However, we suggest the level of funding should be increased to cover more of the costs for this service, which is of tremendous importance to farmers in the countryside. The ongoing cooperation between the WCVM's Disease Investigation Unit and the Animal Health Unit of Saskatchewan Agriculture and Food is essential in identifying and monitoring disease outbreaks among the province's livestock populations.

Education property tax on farmland

The Saskatchewan Government is also to be congratulated on its education property tax relief package for farmland, which was announced early in March. The province's commitment to fund 60% of education, with farmland property taxpayers picking up the remaining 40% share, will help alleviate the financial burden for many rural landowners.

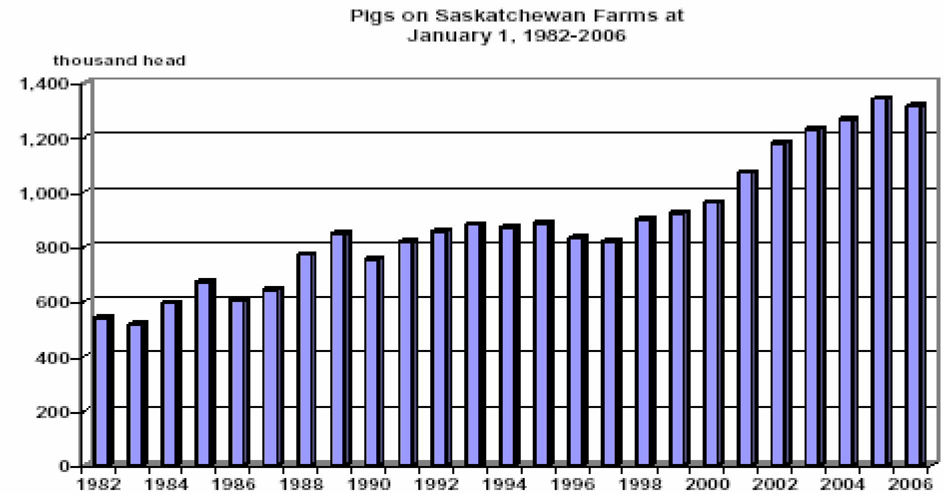
The NFU worked with SARM, Saskatchewan Wheat Pool, and some livestock associations for much of the past five years to gain relief for farmers from the inequitable burden of education taxes between rural and urban citizens. Our recommendation to the province at that time was to move to a 60/40 funding split, with the province picking up the 60% share.

Industrial hog production

The Saskatchewan Government's policy of promoting industrial hog production is hurting the province environmentally and economically. Family farms are being displaced by the vertically-integrated system of production which is dominated by Maple Leaf Foods. Instead of independently-owned and operated family farms, hog production is now done almost exclusively on a contract basis, where farmers are tied to the production and price levels set by Maple Leaf and its subsidiary, Mitchell's Gourmet Foods.

Farmers are under pressure to take lower prices or risk losing contracts with Maple Leaf. The number of family farm hog producers has fallen while the number of industrial hog barns has increased. Yet the financial bottom line for the industrial hog barns is abysmal.

Between 1982 and 2005, Saskatchewan's hog population increased from 500,000 to approximately 1.4 million.[14] The support and encouragement of the provincial government for an increasing number of intensive livestock operations, particularly hog barns, is unsustainable and alarming. The shift to industrial hog barns places great strains on local and regional ecosystems.



Across Saskatchewan, NFU members are actively engaged in the fight against corporate hog factories that destroy family farms. Environmentally, water pollution from hog factories is a significant concern. In addition to the financial risk farmers take on when entering into a contract with Maple Leaf Foods, there are also significant health risks that are now being recognized. In 2002, the Canadian Medical Association asked the federal Minister of Health to "impose a moratorium on the expansion of industrial hog farms until attendant health risks are determined through scientific assessment."

The province's past experience with bankrupt or floundering large-scale hog barns owned by the Saskatchewan Wheat Pool, Premium Pork and Community Pork Ventures has pointed out the fallacy of such investments. Rather than financially supporting such high-risk ventures, the provincial government should promote family-farm based production using sustainable and environmentally-sound management methods. The Saskatchewan Government currently devotes approximately $500,000 to support organic certification systems. This pales in comparison to the millions of dollars the government commits to supporting industrial hog operations.

Recently, the Alternative Budget recommended by the Canadian Centre for Policy Alternatives suggested the provincial government begin a modest divestment of ownership in intensive livestock operations. For the 2006-07 budget year, $2 million should be diverted from ILO investment to greater investment in organic certification programs and initiatives aimed at helping farmers make the transition from high-input agriculture to organic and low-input production methods.

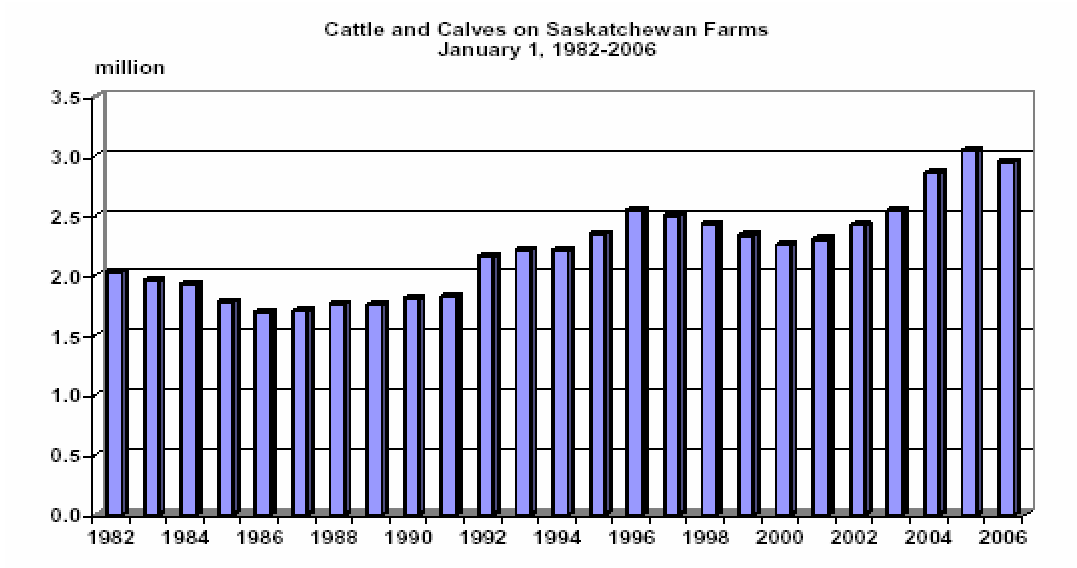
The NFU proposes a number of initiatives that will allow farmers and communities to regain control of hog production in Saskatchewan:

1. Reinstate single-desk selling of hogs;
2. Bring in legislation such as Nebraska's Initiative 101. This legislation prevents non-residents and corporations from farming;
3. Adopt alternative methods of production, such as hoped housing, with dry manure systems. These dry manure systems pose less of a threat to the environment.
4. Eliminate the non-therapeutic use of drugs. In addition, the practice of feeding animal byproducts to animals must also be eliminated.
5. Large, industrial hog factories should be subject to a thorough environmental assessment and review by an independent third party agency.
6. The workers in hog factories should be included in the labour codes of the Province of Saskatchewan.

The ongoing crisis in beef

Despite the opening of the US border to live cattle exports of animals under 30 months in 2005, the crisis in the Canadian beef sector is not over. If anything, the dysfunctional marketplace which gave rise to the crisis in the first place is even more dysfunctional than ever. The federal Competition Bureau's approval in 2005 of Cargill's takeover of Better Beef reduced the number of major players in the packing sector from 4 to 3, and gave Cargill a firm grip on 50% of Canada's beef packing capacity.

The crisis triggered by the discovery of a single case of Bovine Spongiform Encephalopathy (BSE) has taken a heavy toll on family farms in Saskatchewan. Moreover, it provided clear evidence that the western provinces, and Canada as a whole, must rebuild its independent meat slaughter and processing capacity, reduce the overdependence on foreign-owned multinationals, and develop new domestic and export markets for high-quality products. Saskatchewan is desperately in need of additional processing capacity to handle the massive surplus of older cows that have accumulated since May, 2003. With another new crop of calves coming onto the market over the next year, the ability of the province's farmers to continue feeding these older animals is extremely limited.



Currently, Saskatchewan's cattle herd is estimated at just under 3 million head.[15] The cost of managing these large herds rests entirely on the individual farmer.

The over-dependence on the US market has led to the disappearance of Saskatchewan-based meat processing plants as two American-owned giants, Tyson and Cargill, have concentrated their operations in southern Alberta. Together, these two firms control 80% of Canadian slaughter capacity.[16] Not only do Cargill and Tyson monopolize the Canadian beef packing industry, they also dominate the US beef sector with 20.6% and 27.1%, respectively, of the American market.[17]

The domination of the market by a small number of companies has concentrated cattle production in large feedlots at the expense of smaller cow-calf farmers, and ramped up exports of cattle and boxed beef to the US market at the expense of our domestic market and our domestic independent processing industry. When the US border suddenly closed in May, 2003, the livestock industry was thrown into chaos. But it wasn't long before the big packers were able to resume exports of boxed beef into the lucrative US market, even though live cattle were prohibited. Cattle prices declined while retail beef prices continued to rise.

The unprecedented price spread between cattle prices and beef prices led to an investigation into the packing sector.

In Quebec, farmers faced with this same type of situation organized to exert pressure on the provincial government. In the end, a deal was struck whereby farmers acquired a majority share in the Colbex-Levinoff abattoir near Drummondville, and the Quebec government agreed to gradually institute a guaranteed price of 42 cents per pound for cull cows. The NFU calls on the federal and provincial governments to support independent livestock slaughter and processing in other parts of Canada; boost livestock prices received by farmers, reduce the oligopoly market power of large US-based packing plants, and institute BSE testing based on market demands.

Farmers across Canada support the Quebec farmers' actions, and we want to see other governments including the Government of Saskatchewan, step up to the plate and match what Quebec has done. The NFU recommends the Government of Saskatchewan work with the federal government to establish a livestock checkoff to raise money to construct independent and cooperatively-owned Canadian livestock slaughter and processing facilities. The Saskatchewan Government should also set up interim bridge financing to enable these independent plants to get up and running as quickly as possible.

Seed issues

The National Farmers Union is working to ensure farmers' and citizens' rights to save, exchange and re-use seed. The combined actions of farmers, citizens and provincial governments in opposing changes to the *Plant Breeders' Rights (PBR) Act* prevented the implementation of legislation based on UPOV 91. We would like to thank the Government of Saskatchewan for its past support on this issue, and urge you to support our ongoing campaign for new legislation which enshrines farmers' and citizens' rights to save and re-use seed.

Over the past twelve months, a new threat has re-emerged which poses an even-greater danger to farmers. Genetic Use Restriction Technologies (GURTs), commonly known as Terminator Technology, is currently under discussion at the Conference on Biodiversity in Brazil, where a de facto moratorium may be lifted.

Terminator Technology refers to plants that have been genetically modified to render sterile seeds at harvest. The net result of this technology will be that farmers will be unable to replant harvested seed. Terminator has not yet been commercialized or field-tested, although trials are currently being conducted in greenhouses in the United States. Over 1.4 billion people, primarily small-scale farming families in the developing world, depend on farm-saved seed as their primary seed source. Terminator uses biological means to extinguish farmers' ability to re-use seed, thereby forcing them to purchase seed each year from multinational seed/chemical companies. If Terminator is commercialized, seed sterility will likely be incorporated in all genetically-modified plants. Seed sterility, of course, secures a much stronger monopoly than patents and PBR legislation because there are no expiration dates, no exemptions for plant breeders, and no need for lawyers.

The NFU is calling on the Canadian government to immediately ban Terminator Technology.

On January 20, 2006, a letter was sent to Agriculture Minister Mark Wartman by Terry Boehm, NFU Vice-President, requesting the Government of Saskatchewan support the call for a ban on Terminator Technology.

On February 7, 2006, a reply was received from Minister Wartman which indicated his opposition to Terminator Technology. Unfortunately, the letter also indicated the Saskatchewan Government would not endorse the call for a complete ban on Terminator. Instead, the province is choosing to base its assessment on research conducted on a "case by case" basis. The Minister is correct in suggesting that there are unlikely to be any benefits accruing to the farmer from this technology, and also that any evaluation should include socio-economic aspects.

The suggestion that testing of Terminator can be conducted to determine its safety downplays the reality that genetic contamination from the spread of Terminator genes is inevitable during the testing phase. The NFU believes that sufficient evidence already exists to merit a complete ban on Terminator Technology, and we again request that the Saskatchewan Government endorse the Ban Terminator Campaign.

Global Trade issues

The Saskatchewan Government's support for the Canadian Wheat Board (CWB) is welcome. The CWB has been proven to be a fair trader, and the attack on the Board by Canada's trading partners through the vehicle of the WTO is clearly designed to benefit multinational grain corporations. At the WTO meeting in Hong Kong, the Saskatchewan Government's backing of the CWB played a significant role. However, the provincial position which advocated sacrificing portions of the supply-management system in order to achieve increased market access for other commodities is ill-conceived. History has shown that increasing exports will improve profitability for the corporations, but will not lead to increases in realized net farm income. In fact, the opposite is true. Increases in exports have coincided with decreases in farmers' net incomes.

On the other hand, the supply-managed sectors in Canada are the only bright spots in the net farm income picture. These producers receive sufficient returns from the marketplace and do not require subsidization by government or taxpayers to offset chronically-low commodity prices. At the same time, processors are able to make sufficient profits under this system, and consumers are guaranteed a reliable supply of high-quality products at reasonable prices. Sacrificing a system that works for farmers in exchange for the promise of higher returns through increased exports (a promise which has failed to materialize in the past) is a very questionable strategy. The NFU recommends the provincial government strongly support the supply-management system.

Ethanol expansion questionable

The Saskatchewan Government adopted a policy in 2002 aimed at encouraging the expansion of the ethanol industry in Saskatchewan. At that time, provincial ethanol production stood at approximately 12 million litres annually. The government announced its intentions to increase production to 400 million litres per year.[18] Generous subsidies have also been provided to the industry, and its Greenprint for Ethanol Production, Industry and Resources boasts of Saskatchewan's low-cost advantages. The Greenprint suggests ethanol will benefit Saskatchewan's farmers: "Farmers have endured low prices and international subsidies for many years. Ethanol will create a new market for grain production. Developing this industry will assist our province's grain producers by sustaining or expanding farm incomes with new market opportunities."

But as the statistics contained earlier in this brief prove, increased exports have not led to increases in realized net farm income. The certainty that the ethanol industry will purchase grain locally is not borne out by the practices of ethanol plants in Ontario, which are importing cheap US corn to convert to ethanol while denying markets to Ontario farmers. The ethanol industry contributes to downward pressure on grain prices, and when combined with large-scale feedlot operations whose profit margins also depend on cheap feed grain, the lucrative market opportunities promised for grain growers are largely an illusion.

Ethanol expansion achieves no public policy objective for the following reasons:
1. Energy balance: More energy is expended growing the crop, transporting it, and manufacturing it than the ethanol provides;
2. Ethanol puts more Carbon Dioxide into the air than gasoline or diesel;
3. Ethanol subsidies are roughly equivalent to the outright purchase of a similar amount of gasoline;
4. The cost of jobs in the ethanol manufacturing industry is excessive. In Manitoba the cost of each job is estimated to be about $700,000 per year;
5. Ethanol burned as a fuel blend seriously pollutes the air, emitting more nitrogen oxides, acetaldehyde, and peroxy-acetyl-nitrate;
6. Ethanol plants are subsidized food-burners;
7. Ethanol plants are large users of precious freshwater resources, and produce large amounts of nutrient-rich waste-water.

Conclusion

As family farmers in Saskatchewan gear up for spring seeding, there is a decided lack of optimism out in rural communities. Given the poor outlook for prices of grains and oilseeds, as well as the ongoing uncertainty in the livestock sector, many farmers across the province are increasingly convinced there must be fundamental changes in the way agricultural policy is designed. The emphasis on increasing production and exports by sacrificing prices at the farm gate has fuelled a "race to the bottom" in the global marketplace. Family farmers need policies which allow them to reclaim their fair share from the marketplace, and which allow rural communities to retain their fair share of the wealth which they generate.

All of which is respectfully submitted
by the
National Farmers Union
Region 6 (Saskatchewan)

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[1] "The Saskatchewan Net Income Disaster continues", NFU News Release, February 10, 2006.
[2] "The Farm Crisis, Bigger Farms, and The Myths of Competition and Efficiency", National Farmers Union, November, 2003, updated 2005 utilizing data from Agriculture and Agri-Food Canada.

[3] The resulting report, entitled "Empowering Canadian Farmers in the Marketplace", was commonly referred to as the "Easter Report" because it was authored by Wayne Easter, Parliamentary Secretary to the Minister of Agriculture, Andrew Mitchell. The Easter Report confirmed corporate concentration as a major factor in depressing net farm incomes.
[4] "The Farm Crisis and Corporate Profits", National Farmers Union, November 30, 2005.
[5] Farm Debt Outstanding: Agriculture Economic Statistics, Statistics Canada, November, 2005
[6] Farm Debt Outstanding: Agriculture Economic Statistics, Statistics Canada, November, 2005
[7] 2002-03 Canadian Wheat Board Annual Report
[8] 1996-97 Canadian Wheat Board Annual Report
[9] Schmitz, Furtan, and Storey, *The CWB and Barley Marketing: Price Pooling and Single-Desk Selling, 1997*
[10] Kraft, Furtan, and Tyrchniewicz, *Performance Evaluation of the Canadian Wheat Board, 1996*
[11] From correspondence with Michael Gifford, May 13 to September 10, 1997. At that time Gifford was Director General, Markets and Industry Services Branch, Agriculture and Agri-Food Canada.
[12] Monitoring the Canadian Grain Handling and Transportation System, 3rd Quarter report – 2004-2005 crop year, Quorum Corporation, October, 2005.
[13] Monitoring the Canadian Grain Handling and Transportation System, 3rd Quarter report – 2004-05 crop year, Quorum Corporation, October, 2005
[14] Pigs on Saskatchewan Farms – January 1, 2006, Livestock Stat Fact, Saskatchewan Agriculture and Food, February 15, 2006
[15] Cattle on Saskatchewan Farms – January 1, 2006, Livestock Stat Fact, Saskatchewan Agriculture and Food, February 15, 2006
[16] "Cargill's dominance a concern" by Wendy Holm, Western Producer, September 8, 2005.
[17] Oligopoly Watch, "Big Beef", October 4, 2003, www.oligopolywatch.com. The other major players in the US beef packing industry are Swift (46% owned by ConAgra) with 16.1% of the market; Farmland National Beef (7.8% market share), and Smithfield (6.6% market share).
[18] Greenprint for Ethanol Production in Saskatchewan, April, 2002. Saskatchewan Industry and Resources, www.ir.gov.sk.ca