



National Farmers Union
Union Nationale des Fermiers



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NFU brief to Senate Agriculture and Forestry Committee
Study on international market access priorities for the Canadian agricultural and agri-food sector
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The National Farmers Union (NFU) is a voluntary direct-membership, non-partisan national farm organization made up of thousands of farm families from across Canada who produce a wide variety of commodities, including grains, livestock, fruits and vegetables. The NFU was founded in 1969, with roots going back more than a century. The NFU works toward the development of economic and social policies that will maintain small and medium-sized family farms as the primary food-producers in Canada.

The NFU believes that agriculture should be economically, socially, and environmentally sustainable and that food production should lead to healthy food for people, enriched soils, a more beautiful countryside, jobs for non-farmers, thriving rural communities, and biodiverse natural ecosystems. The NFU is a leader in articulating the interests of Canada's family farms, in analyzing the farm income crisis, and in proposing affordable, balanced, and innovative solutions that benefit all citizens. NFU policy positions are developed through a democratic process via debate and voting on resolutions at regional and national conventions, as governed by our Constitution.

NFU members are committed to a food system that provides safe and healthy food to people in this country and abroad. We support trade in agriculture, as long as it is fair trade – trade that supports the livelihoods of family farmers in Canada and those of our trading partners around the world, and which ensures each country has the capacity to feed itself and to democratically make decisions that support long-term economic, social and ecological sustainability in regard to their respective food systems.

As a member of La Via Campesina, the international organization of farmers that developed the concept of “Food Sovereignty” in 1996, prior to the start of the Doha round of the World Trade Organization negotiations, the NFU asserts that agriculture and food cannot be treated the same way as any other commodity in trade agreements because food is vital for human life.

We call for food and agriculture policies that promote fair livelihoods for farmers, farm workers and people involved in the food processing system. We need agriculture policies that allow farmers to stay on the land and that allow them to use agronomic practices that support long-term soil health and water quality, as well as the production of nutritious, wholesome food, and which support high standards of animal welfare. We need to ensure that farming is an attractive business for young people to enter, and that older farmers can retire with dignity. Our agriculture policy needs to support a diversity of types and sizes of farming, so that our food system has the resilience required to survive in an increasingly unpredictable climate. Such a forward-looking food policy will also ensure that our rural communities remain viable and attractive places where Canadians can raise families and live fulfilling, productive lives. To achieve these goals we need to put our food and farmers first – and we uphold the right of other countries to take care of their people in the same way. It is simply the golden rule.

The purpose of the current Senate study is to examine and report on international market access priorities for the Canadian agricultural and agri-food sector. Canadian agriculture policy fails to distinguish between agribusiness (including input sellers, food processors, and retailers as well as corporate industrial farms) and family farmers, yet the interests of these sectors often diverge. Canada's agriculture policy focuses on expanding exports to the extent that this goal eclipses other values such as soil health, farmer livelihoods, food quality, environmental protection and quality of rural life. Canada has increased trade in agri-food commodities, but this has not helped farmers. As trade increased, expenses and debt also

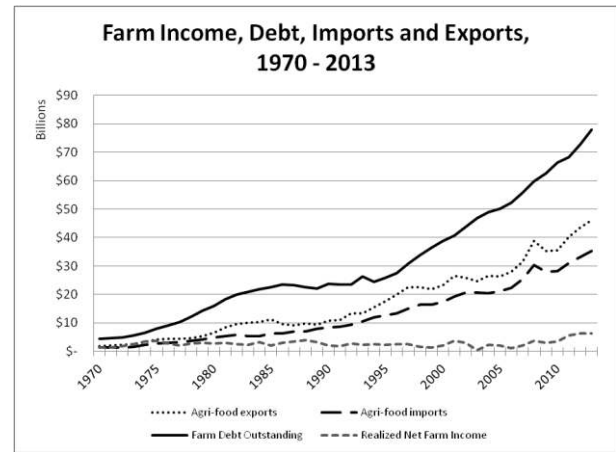
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increased and overall farmer numbers have declined, most dramatically for those farmers under the age of 35. Realized net farm income (income remaining after expenses have been paid) remains stagnant (see Graph 1).

Sellers of inputs and the food processors benefit the most from the terms of trade deals, because it is they who use market access provisions to buy farm products from the cheapest sources in the global marketplace, reducing their costs and increasing their profitability. Their gains are not passed on to consumers, as evidenced by food prices that continue to climb. Instead agri-business corporations use their increased market power to expand their own reach through mergers and acquisitions, resulting in fewer and larger global agribusiness companies involved in buying, selling and processing.

Trade agreement provisions, including investor-state dispute settlement mechanisms (ISDS), provide for the protection and privilege of global businesses that are not citizens of any country, even though they claim the legal rights of persons under the law. While limitations on the international movement of workers, refugees and immigrants become increasingly severe, the money of investors is afforded not only access to our country, but protection as well. By allowing capital to go where it wants, stay as long as it wants, and to sue governments that attempt to regulate in the public interest, FTAs ensure that global corporations become extremely wealthy and powerful. The advantages gained by these companies and their investors are matched by the losses imposed on individuals, small businesses and local or regional companies in countries involved in the trade agreements. As terms of trade agreements are ratcheted up, each one building upon the last, the power imbalance intensifies. If the trend of negotiating ever more comprehensive trade agreements continues, national governments will be rendered virtually impotent – unable to protect their voters, their public sector or their independent businesses such as farmers.



Graph 1

Source: Statistics Canada

The imbalance between these global agribusiness corporations and farmers is severe. Competition between companies within the country is disappearing as global corporations pursue “competitiveness” with other giants on the world stage by taming governments and using their market power to enforce exploitive conditions on the producers who supply them with the products they trade. In Canada, over 90 percent of our beef is processed by two foreign-owned companies, Cargill and JBS. In grain, Viterra (owned by the Swiss company, Glencore), Cargill and the privately owned Canadian company, Richardson dominate. Just ten multinational companies control Canada’s seed sector. Fertilizer and other farm chemical suppliers are similarly concentrated.

Trade deals feature harmonization of regulations and standards so that global agribusiness corporations can operate seamlessly in several countries, while nations are deprived of regulatory tools to differentiate their products in the marketplace or to create economic space within their countries to pursue other values that are important to their citizens and residents.

Classical economic theory, and now globalization, promotes the idea that each country should specialize in products where it has a “comparative advantage” and purchase other products from trading partners instead of making them at home. Put into action, this ideology simplifies economies, makes them more dependent on trade. Globalization causes our economy to become brittle by “putting all our eggs in one basket” and thus vulnerable to the cascading effects of economic and/or ecological crises. Canada’s trade statistics show that we indeed depend on selling large volumes of undifferentiated commodities and buying smaller amounts of higher value finished products. The top five agri-food commodities exported from Canada are wheat, canola, durum, live cattle and soybeans, while the top five imported are grape wines, food preparations, bakery products, denatured ethyl alcohol and fresh, boneless beef.¹ This trend has implications for our food security, as we become more dependent on importing the food needed for a balanced diet. With climate instability, some of our current sources for fruits, vegetables, meat and processed foods may be unable or unwilling to export as much, or at



prices Canadians can afford, if drought, flooding, disease or pest problems make feeding their own populations a higher priority.

As a result of FTAs, Canada has lost significant fruit and vegetable production and processing capacity, which is both seasonal and labour intensive. Without processing capacity, production of perishable food products also declines. Food manufacturers and retailers use increased market access provisions to process food produced in the global south and the USA. Similarly, meat-packing in Canada has become notorious for its low-wages and dependence on temporary foreign workers. These conditions are a result of FTAs opening Canada's market to US-owned plants located where wages are lower and labour laws are lax or not well-enforced.ⁱⁱ In fact, Canada seems to be outsourcing a significant amount of beef packing, since live cattle are among our top exports and fresh, boneless beef is one of our top imports. The number of people employed in food manufacturing in Canada continues to decline as FTAs provides easier market access to companies that wish to sell Canadian foods produced in other countries (Graph 2).



Graph 2

Source: Statistics Canada

Canada's beef and pork processing sectors are highly concentrated, with approximately 90% of federally-inspected beef being packed by Cargill and JBS and about 70% of pork being packed by Olymel and Maple Leaf Foods. The NFU produced a major study on the beef industry in 2008 that clearly shows that prices for farmers are kept artificially low because the packers own vast feedlot herds (captive supply), allowing them to manipulate prices paid to farmers who raise cattle. In pork, Canada has lost thousands of hog farmers since 1997 when trade promotion significantly ramped up after NAFTA was signed.ⁱⁱⁱ Now, there are few independent hog farmers left, and many of those remaining must contract their production to one of the two big packers and accept whatever price offered. Prices for pork are often below the cost of production. The beneficiaries of increased exports of beef and pork are the four big meat-packing companies, not farmers.

With the loss of the single desk Canadian Wheat Board, grain farmers have become vulnerable to similar forms of price manipulation and exploitation. Grain companies are now in a position to buy low from prairie farmers, sell high on world markets, and pocket the difference. In fact, grain companies can profit by selling low-priced grain as long as they can get it from farmers for an even lower price by, for example, charging wide "basis" discounts at the country elevators. Under the single desk, farmers were paid for the full value of their grain obtained when sold to export customers and domestic millers, and for that reason it pursued and obtained markets that paid premium prices.

Historically, Western Canada has been a grain exporter, and grain exports are still one of the most important economic drivers in Canada. In 1912, the Canadian Grain Commission was established in order to ensure fairness for farmers who sold grain. A robust grading, inspection and governance system was developed and has stood the test of time. However, the current federal government has introduced Bill C-48 to amend the Canada Grains Act by introducing changes to the CGC which will weaken its ability to uphold the quality and value of Canada's grain exports and hamper its ability to protect the interests of Canadian farmers. If Bill C-48 is passed it will further weaken the position of farmers.

The CGC recently held a public consultation on a proposal to alter Canada's wheat class system to permit the sale of American varieties of low-protein wheat as milling wheat in Canada. The proposed changes under Bill C-48 would allow grain produced in the USA to be imported and graded in the Canadian system. Currently imported grain is designated as foreign grain and is not eligible for grading. The US wheat lobby is pushing Canada for these changes.^{iv} The CGC recently announced that due to the strong opposition to changing wheat class definitions, only an interim class for low-protein milling wheat would be offered for the 2015-16 crop year.

The interim class for lower-protein is similar to American Dark Northern Spring Wheat. If the interim class is made permanent, it will be harder to differentiate Canadian wheat from US wheat in the world market. Canada's comparative



advantage in wheat exports has been quality. Canada's deserved reputation for quality wheat was created, built and maintained by farmers producing and delivering the grain, along with institutions such as the CGC, CIGI and the single-desk CWB that supported and safeguarded the quality of wheat delivered to customers. A shift away from quality towards quantity of production will result in farmers having higher on-farm storage costs, increased trucking and higher local taxes for road maintenance. If a permanent lower-protein wheat class is created, Canada's comparative advantage will be eroded and Canadian farmers will be forced to compete for market share on price alone.

Adding another wheat class would increase the complexity of our grain handling system, which is already stressed due to the loss of single desk CWB's coordinating role. The added class would lead to more delays, higher costs and increased basis resulting in lower returns to farmers. It may also result in grain companies collapsing CWRS varieties into the new lower-protein class as a way to simplify handling, a *de facto* elimination of our premium class. The NFU has recommended against changing the wheat classes, and is urging MPs to defeat Bill C-48.^v

FTAs are used to harmonize regulations and standards among countries so that corporations can easily operate across borders. Regulations and standards are often termed "trade irritants" and "non-tariff trade barriers." We disagree with this characterization. Domestic rules and regulations are elements of democratic governance; their implementation and enforcement is one of the duties of government. In Parliamentary democracies, rules and regulations flow from legislation and policy for which voters hold elected officials accountable. The rules and regulations are, in fact, an expression of sovereignty and a way for nations to draw boundaries around what is and is not acceptable behaviour, including matters of economic behaviour.

In Europe, there is a strong food culture that does not support genetic engineering or the use of growth hormones in meat production, for example. These values are robust and rooted within Europe's history. Canadian farmers have important markets in Europe for commodities that are not genetically modified, such as flax, alfalfa, wheat, etc. The discovery of GMO contamination in some Canadian flax shipments due to contamination with the unregistered "Triffid" GMO variety resulted in billions of dollars in losses and costs as farmers developed and implemented a strategy to eliminate the contamination. We have regained some of the European market. We do not want to lose our non-GMO markets in Europe, Japan, China, Korea, etc. We recommend that Canada include potential for market harm when new GMO crops are being evaluated, and if there is the potential to disrupt markets that the GMO in question not be approved for release in Canada.

Canada's supply management system is a success story for farmers, consumers, processors and governments. Canadian dairy producers obtain their income from the marketplace, not from government subsidies as occurs in most other countries. Canadian consumers have a reliable supply of wholesome milk, chicken, eggs and turkey. Processors have the predictability that allows them to operate at near full-capacity and avoid the cost of idled plant space that is common in other jurisdictions. Canadians have strong values that support our supply management system, and these values should be respected and upheld, not sacrificed for the sake of achieving trade concessions in the course of negotiating FTAs.

Each country has its own unique history, cultures, and traditions. Differentness from each other, as well as each country's internal diversity, is a source of richness, creativity and vitality. The nuances and complexity of the world's cultures stand in sharp contrast to the sameness that will result if "regional economic integration based on market principles" is realized through multilateral and bilateral trade agreements. The ultimate goal of FTAs, whether bilateral or multilateral such as CETA and the TPP, is the complete penetration of global corporations into every facet of economic life. In the process, the culture of farming and food would be transformed by the imperatives of corporate efficiency and profitability.

We believe that international relations must be based on mutual respect for the whole of each society, that trade can be conducted fairly without destroying the cultural and economic institutions people have built, and that democracy means that people have a real say in the economic choices that affect their lives. We urge that the federal government develop a national food and agriculture policy that reflects these values instead of pursuing the ever-tightening noose of corporate control embodied in the FTAs.



The NFU, therefore, recommends that:

1. Trade in agriculture be treated separately and excluded from comprehensive trade agreements such as NAFTA, CETA and the TPP.
2. Precautionary and provisional intellectual property enforcement mechanisms be eliminated from free trade agreements and national legislation.
3. Investor-State Dispute Settlement be eliminated from free trade agreements and that Canadian courts independently rule on disputes.
4. All legislation and trade measures in agriculture be assessed for their impact on Canadian farmers' income and debt, and only be enacted when they have a positive effect on farmers' income, community and the environment.
5. Excess rail revenues be returned to farmers.
6. The CGC mandate remain solely "in the interests of grain producers".
7. The Canadian Wheat Board should be re-instated as the democratically directed farmer-run marketing agency for prairie wheat, durum and barley.
8. Supply Management should be maintained, and protected from external assaults. There are elements of the supply management system that need to be updated to promote intergenerational transfer and more diversity of production systems, but these are difficult to embark upon when the whole system must focus on defending itself.
9. Canada's regulatory system for GMOs should include farmer input and evaluation of social, ethical and market impacts.

Respectfully submitted by
The National Farmers Union
June 2, 2015

ⁱ Canada at a glance – Agriculture and Agri-Food Canada. <http://www5.agr.gc.ca/eng/industry-markets-and-trade/statistics-and-market-information/import-and-export-data/countries-at-a-glance/canada/?id=1410072148230>

ⁱⁱ The Canadian Fruit and Vegetable Preserving and Specialty Food Manufacturing Industry, Statistics Canada. <http://www5.agr.gc.ca/eng/industry-markets-and-trade/statistics-and-market-information/by-product-sector/processed-food-and-beverages/the-canadian-fruit-and-vegetable-preserving-and-specialty-food-manufacturing-industry/?id=1375206764774>

ⁱⁱⁱ The Farm Crisis and the Cattle Sector: Toward a New Analysis and New Solutions, National Farmers Union, 2008. <http://www.nfu.ca/policy/nfu-briefs-2008>

^{iv} U.S. Wheat Growers Call for Equal Trade in Canada, National Association of Wheat Growers (NAWG) and U.S. Wheat Associates (USW), Joint Press Release, May 21, 2015. <http://www.uswheat.org/newsRelease/doc/6A76FF6BC420AFAE85257E4C00717F75?Open>

^v NFU Submission to CGC Consultation on Canadian Wheat Class Modernization. <http://www.nfu.ca/policy/nfu-submission-cgc-consultation-canadian-wheat-class-modernization>

