Tackling the Farm Income Crisis

Most of the money generated in agriculture passes through the farmer's hands – the gap between cash taken in and the income left to live on is growing.

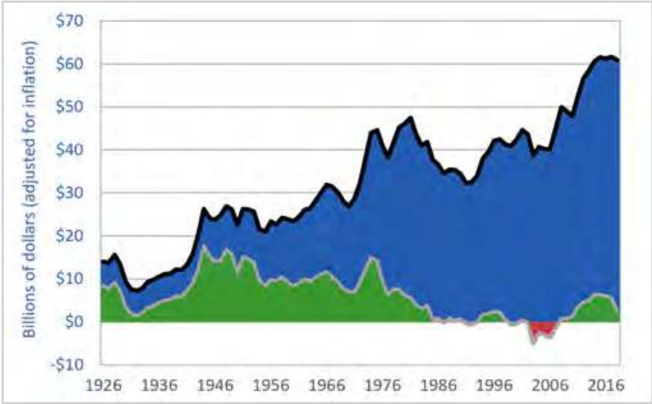
Farmers are encouraged to continuously increase their use of fertilizers, fuels, chemicals, plastics, and other purchased inputs. This increases agricultural GHG emissions and lowers net farm incomes. Reducing our reliance on expensive inputs can increase farm profitability and make it possible for more farmers to make a living from the land -- now and into the future.

Net farm income

Most of the money in agriculture just passes through the farmer's hands. There is a large and growing gap between cash taken in and the income left to live on. Between 1985 and 2018, expenses including high input costs consumed over 95% of farm revenue and left farmers with just 5%. As farmers adopted a high-input, high-output approach, corporations took nearly $1.5 trillion dollars of the value created by their farms. This is illustrated by the graph on the right.

The top black line shows farmers' gross revenues less government subsidies -- the money farmers received from the markets when they sold their products. The gray line shows farmers' realized net incomes with government subsidies subtracted -- the market revenue remaining after farmers paid their expenses. Periods of positive net farm income are shown in green; negative net income periods are in red.

The dark blue area -- the difference between farmers' gross revenues and net incomes or farmers' *expenses* — was paid mostly to corporations such as Bayer-Monsanto, John Deere, Nutrien, and the banks. Farm yields, production, and revenues have gone up, but net income has stayed flat or gone down as farmers paid more for inputs. Since the mid-1980s, realized net farm income from the markets has hovered around zero.



Canadian farm revenue and income since 1926. Source: Statistics Canada, Gross farm revenue and realized net income, net of government subsidies, Canada, 1926–2018.

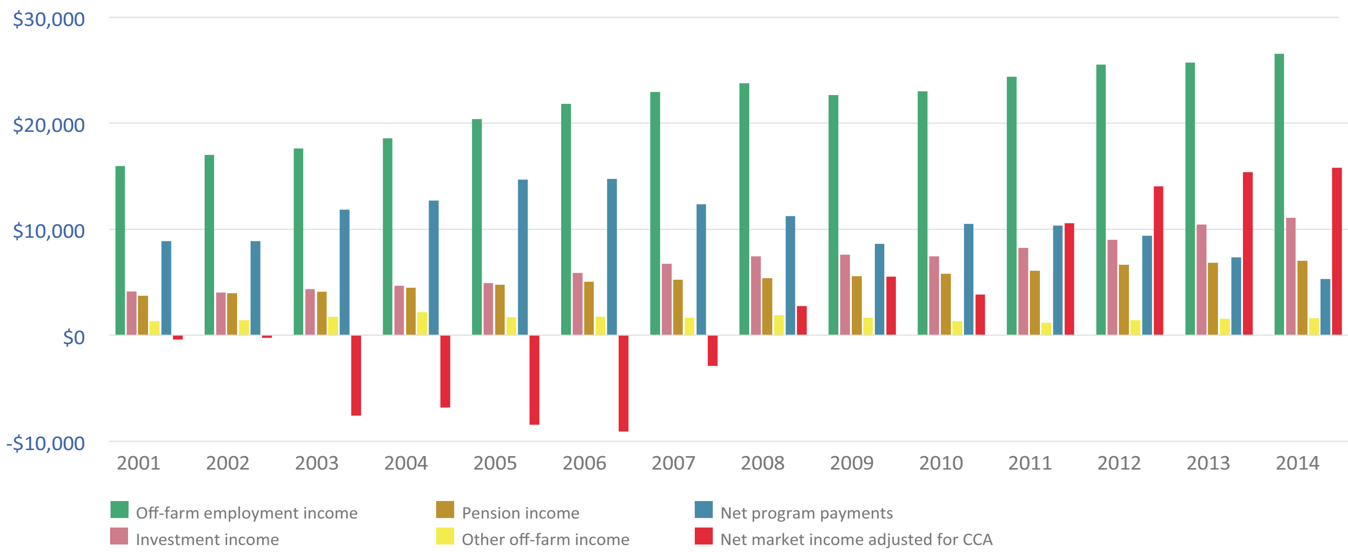
Farm debt

Canadian farm debt has nearly doubled since 2000 and is now over $106 billion.

Since 2000, farmers' realized net income from the markets has averaged $1.5 billion per year. To deal with inadequate cash flows, farmers are adding 1.8 dollars in debt for every dollar of net income annually, taking on an average of $2.7 billion per year in additional debt. Interest collected is roughly equal to the amount farmers receive from farm-support programs. In effect, taxpayers are paying farmers' interest bills—transferring tens-of-billions to banks and other lenders.

Off farm work

To make ends meet, farmers have been forced deeply into debt and most farm families rely on off-farm income. The graph on the following page shows how much farm



Components of farm operator income (dollars, average per operator) Source: Statistics Canada, Incomes of farm operators, by source, unincorporated and incorporated farms, 2001–2014.

operators—the people who own, work on, and/or manage Canadian farms—rely on other sources of income.

Even since 2007 (often considered "better times" for Canadian farmers) net market income contributed just 16% of farm incomes. Farm operators continue to rely on non- farm income:

⇒ 41% from off-farm employment
⇒ 15% from investment income
⇒ 10% from pensions
⇒ 15% from farm-support-program payments

Loss of family farms

The combination of high costs, low net income, and rising debt has forced nearly a third of Canadian farm families off the land in just one generation. 28 years ago we had 280,000 farms; today we have fewer than 193,000.

Even worse, the number of farmers between of 15 to 34 is down 68% from 25 years ago. Young farmers face huge barriers to entry -- often unendurable pressures to exit.

With just 25,000 under 35 farmers, Canada has too few to sustain a thriving farm sector two or three decades down the road. Unless we move quickly to transform agriculture to increase net incomes there may be just 100,000 farms in Canada by 2050.

The farm crisis and the climate crisis

Canada's high-output, high-input, high-energy use, high-cost food-production experiment has failed Canadian farm families. It has:

⇒ reduced the number of farmers by a third,
⇒ driven down realized net incomes,
⇒ raised debt to record levels,
⇒ expelled sons and daughters from their farms and communities,
⇒ forced farmer families to work off-farm jobs,
⇒ transferred approximately $1.5 trillion to input-supply corporations, and
⇒ required more than a hundred billion dollars in taxpayer-funded support payments just to keep the system solvent.[1]

Furthermore, our maximum-output, maximum-input, maximum-energy-use food-production system has created record-high greenhouse gas (GHG) emissions.

The good news

The silver lining is that by reducing dependence on emission-causing inputs we can increase net farm income from 5% to perhaps 15 or 20 % of gross revenues, keeping $5 or $10 billion more within our farms and in our rural communities. Imagine the possibilities when Canadian farmers keep three to four times their current net incomes from the markets!

[1] Tax-funded farm-support program payments totalled $112 billion between 1985 and 2018.