

Submission to the Senate Select Committee On the Free Trade Agreement between Australia and the United States of America

Free trade for who?

As an Australia farmer I see the American farmer struggling just like us, I have in this letter the Canadian farmers union's reasons why it is not working in Canada.

In my area here, the American Corporations are already buying up a lot of the timber industry, and any thing to do with water, the food area they are working on. The Dairy Co-ops are busting to get on the stock exchange which will make them targets.

The buy up of Australia has been unprecedented in the last few years.

“Free Trade” may increase trade but, it will dramatically alter the relative size and market power of the players in the agri food production chain. Farmers and their net incomes will be one of the least significant effects of trade agreements and globalization.

The Free Trade will only be for the American Corporations to play a Free hand at what ever they want to do, assisted by the American Government who dance to there corporations tune.

There are food additives in American food like the BT in the milk which nobody in the rest of the world are interested in, put there by another example of Questionable American “ science “ which does not add up?

Free Trade is like, *deregulation*, *tax schemes*, never work in the long term for us small people they are just money deals for the big company's.

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The following 4 pages are from the Canadian National Farmers Union

“Free Trade”: Is it working for farmers?

In January 1989, Canada implemented the historic Canada-U.S. Free Trade Agreement (CUSTA). In January 1994, Canada implemented the North American Free Trade Agreement (NAFTA). And in January 1995, we implemented the World Trade Organization (WTO) Agreement on Agriculture.

We’ve had 14 years of “Free Trade.” How’s it working for farmers? To find out, the following compares economic indicators from 1988 (the year before we implemented the CUSTA) with those of 2002. Figures are not adjusted for inflation.

1988 2002

Canadian agri-food exports \$10.9 billion \$28.2 billion

Canadian farmers have been extremely successful in increasing exports, in gaining “access” to foreign markets. We have nearly tripled agri-food exports since 1988 and exports are seven times higher than in 1975. See graph on back page.

Realized net farm income \$3.9 billion \$4.1 billion

These figures are not adjusted for inflation. If we adjust for inflation, net farm income is down 24%.

Farm debt \$22.5 billion \$44.2 billion

Farm debt has doubled since we implemented the Canada-U.S. Free Trade Agreement. Today, interest on the debt nearly equals Canadian net farm income. The banks are taking nearly as much from our farms as the families who own those farms are earning.

Wheat: farmgate price \$4.93/bushel \$4.48/bushel

Prices are for #1 Canadian Western Red Spring wheat, 11.5% protein, Saskatoon net (freight and elevator tariff subtracted). See the note on the Two-Price Wheat program in the section on bread, below.

Bread: grocery store price \$1.12/loaf \$1.46/loaf

In 1988, Canada still had a Two-Price Wheat (TPW) program. That program set a price for wheat used in Canada that was higher but more stable than the world price. In 1988, Canadian millers were making \$1.12 bread out of \$7.00 (domestic-price) wheat. Today, they make \$1.46 bread out of \$4.48 wheat. The TPW program put up to \$12,000 per year into the pocket of an average-size wheat producer. The bread price data cited here seems to indicate that the TPW program cost consumers nothing. The program was cancelled in 1988 in anticipation that it would violate the then-pending Canada-U.S. Free Trade Agreement.

Grain handling: # of farmer-owned co-ops 4 0

In 1988, four farmer-owned co-ops handled the vast majority of western grain (the Saskatchewan, Alberta, and Manitoba Pools and United Grain Growers). Today, Agricore United (formerly Manitoba and Alberta Pools and United Grain Growers, and with significant ownership by U.S.-based Archer Daniels Midland), Saskatchewan Wheat Pool (a former farmer-owned co-op that may soon be controlled by a U.S.-based corporation such as ConAgra), and Cargill have 75% of western grain-handling capacity.

Dairy: % processed by farmer co-ops 60% 35%

Large corporations are consuming our farmer-owned dairy co-ops. Saputo Inc. (Quebec-based; \$3 billion+ revenues) took over Dairyworld Co-op in 2001. Parmalat (Italian-based; approx. \$11 billion revenues) is also a major corporate player. The three largest processors handle 71% of Canada’s milk: only one is a co-op.

See next page for more

1988 2002

Flour mills: Canadian ownership 50% of cap. 21% of cap.

One U.S.-based transnational, Archer Daniels Midland (ADM), owns 47% of Canadian flour milling capacity. ADM owned 0% in the mid-1980s, before the Canada-U.S. Free Trade Agreement.

Malt plants: Canadian ownership 95% of cap. 12% of cap.

Canada's malt capacity is predominantly owned by foreign-based transnationals such as ConAgra, Cargill, Rahr Malting, and Archer Daniels Midland.

Employment in agri-food processing 277,300 jobs 274,900 jobs

Politicians blithely predicted that "Free Trade" and the end of the Crow would dramatically increase the number of Canadian jobs in value-added food processing, thus providing employment for rural residents.

Freight rates (Saskatoon example) \$7.15/tonne \$35.68/tonne

When the federal government took the Crow Benefit from farmers in 1995, it pointed to the need to comply with the then-new World Trade Organization (WTO) Agreement on Agriculture.

Fertilizer price (anhydrous ammonia) \$374/tonne \$539/tonne

Trade agreements and globalization have triggered waves of agribusiness mergers, dramatically decreasing competition between the dominant corporations and increasing their market power. Canada's dominant fertilizer manufacturers have grown exponentially. Terra Industries, Agrium, and Potash Corporation of Saskatchewan are all eight to twelve times larger than they were ten years ago.

Diesel fuel price (Alberta example) 25.0¢/litre 33.5¢/litre

Canada's leading fuel refiners/retailers—Shell Canada, Petro-Canada, and Imperial Oil—recorded record profits in 2000 and 2001. Exxon owns 70% of Imperial Oil. Royal Dutch Shell owns 78% of Shell Canada. Petro-Canada is a widely-held, publicly-traded corporation (the Canadian gov't owns 20%). Fuel prices are higher in other Canadian provinces.

Number of major machinery companies 6 3

In 1988, a Canadian farmer could buy a medium-sized tractor from Ford/Versatile, White, Massey Ferguson, Case IH, John Deere, or Deutz/Allis Chalmers. Today, CNH (an amalgam of Case, International Harvester, Ford, NewHolland, Steiger, Versatile, and others) and John Deere dominate major machinery sales with annual sales of about \$10 billion and \$13 billion respectively. AGCO (Massey Ferguson, Heston, Gleaner, White) has sales of about \$2.5 billion annually. [All figures in this paragraph in U.S.\$.]

Fed. gov't spending on farm support \$4.7 billion \$3.5 billion

These figures are not adjusted for inflation. If we adjust for inflation, 2001/02 federal government "spending in support of agriculture" is at its sixth-lowest level in 18 years. This low level of spending comes despite a grinding farm income crisis and weather-related production problems.

Number of farmers in Canada 293,089 246,923

In the half-generation since Canada signed the Canada-U.S. Free Trade Agreement, corporate and government policies have forced 16% of our farmers off the land. In just the past five years (1996 to 2001), we have lost 11% of our family farms.

Publication assistance generously provided by the Polaris Institute (www.polarisinstitute.org), Council of Canadians (www.canadians.org), and numerous individual donors and supporters. *See next page for more*

1988 2002

Number of hog farmers 33,760 11,565

Of the farms that were raising hogs in 1988, corporate and government policies have since forced 66% out of production. Smithfield Foods, the world's largest producer/packer, will raise about 14 million hogs in North America this year and slaughter and pack about 20 million. Total Canadian production is about 26 million slaughter hogs per year. Smithfield has packing plants and production contracts across Canada.

Pork chops: grocery store price \$6.88/kg\$9.54/kg

Canadians are told that fewer and larger farms will result in "higher efficiency." The benefits of that efficiency are elusive, however. While corporate and government policies have reduced the number of Canadian hog farmers by 2/3, packers and retailers have increased grocery-store pork chop prices by 39%.

Hogs: farmgate price \$1.44/kg\$1.46/kg

While grocery-store pork chop prices are up 39%, farmgate prices are up only 2%. Seen another way, while hog farmers are still receiving about the same \$1.44/kg, packers and retailers have increased their *margin* (between the price they pay to farmers and the price they charge consumers) by \$2.64/kg.

tt Packing plant pay (representative starting wage) \$9.38/hour \$9.65/hour

When adjusted for inflation, starting wages at many plants are down sharply. Packers are using their growing market power to push up prices to consumers, push down prices to farmers, and push down wages for workers. In the wake of the NAFTA, packers have argued that Canadian wages must be competitive with U.S. wages. U.S. wages, in turn, must be competitive with Mexican wages. Some Canadian packers, unable to attract workers, are bringing in workers from Mexico.

Sources and Notes (1988 source; 2002 source)

Exports: Agri-food Trade Service, International Markets Bureau; NFU estimate (2001 exports were \$26.6 billion).

Net income: Statistics Canada, Agricultural Economic Statistics, Cat. # 21-603; Agriculture and Agri-Food Canada (AAFC), Farm Income, Financial Conditions, and Government Assistance Data Book, March 2002.

Debt: Statistics Canada, Agricultural Economic Statistics, Cat. # 21-603; NFU estimate (2001 debt was \$40.8 billion).

Wheat: Saskatchewan Agriculture and Food, Stat Facts, #10.03; NFU estimate based on same and updated with July 25 CWB Pool Return Outlook.

Bread: Statistics Canada, Consumer Prices and Price Indexes, Cat. # 62-010; Statistics Canada, CANSIM Matrix v735175 - 326-0012.

Grain co-ops: Corporate annual reports and various articles in the Western Producer.

Dairy: Government of Canada, Co-operatives Secretariat, Profile of Canadian Agri-food Co-operatives (1986-1996); Estimate prepared by AAFC upon request.

Flour mills: Sosland Publishing Company, 1989 Milling Directory/Buyer's Guide (November 1988); Sosland Publishing Company, Grain and Milling Annual: 2002.

Malt plants: Based on several sources, especially AAFC, Bi-Weekly Bulletin, July 11, 1997 and January 25, 2002.

Employment: Available on request from AAFC, based on Statistics Canada's Labour Force Survey. See also: AAFC, A Profile of Employment in the Agri-Food Chain, April 1999.

Freight rates: Sask. Ag. and Food, Stat Facts, #10.03.

Fertilizer: Alberta Agriculture, Food, and Rural Development, Alberta Farm Input Prices, various months. The 2002 price is based on a six-month average (December 2001 to May 2002). The 1988 price is based on a comparable 1987/88 six-month average. Both prices are full-service, applicator included.

Diesel fuel: Same as previous.

Machinery companies: Survey of mergers and acquisitions, conducted online and through corporate annual reports, 1987 to current.

Federal spending: AAFC, Farm Income, Financial Conditions, and Government Assistance Data Book; NFU estimate adjusted to account for newly-announced federal spending.

Number of farmers: Statistics Canada, Census of Agriculture, 1986 and 2001, 1986 Census data used as a proxy for 1988; 2001 Census data used as a proxy for 2002.

Hog farmers: Statistics Canada, Livestock Statistics, Cat. # 23-603.

Pork chops: Statistics Canada, Consumer Prices and price indexes, Cat. # 62-010; Statistics Canada, CANSIM Matrix P219135.

Hog prices: Statistics Canada, Livestock Statistics, Cat. # 23-603. Prices are for Index 100 hogs, dressed, weighted average in Ontario using a six-month average (December-May).

Packing plant pay: Collective agreement with Burns Foods Limited, Brandon plant; Collective agreement with Maple Leaf Foods Inc., Brandon plant (semi-skilled 1).

This information is brought to you by the National Farmers Union

Please join with us to protect Canadian family farms and to create better food and agricultural policies for Canada.

To join, please send a cheque for \$150 to the address above.

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Why isn't "Free Trade" working for farmers?

Farmers have doubled exports and doubled them again; we've adopted new technologies, "high-value" crops, and exotic livestock; we've poured billions of dollars of investments into our farms; and, together with governments, we've signed numerous trade agreements. Farmers have done everything recommended by free trade and globalization advocates. And the result is the worst farm income crisis since the 1930s. Why hasn't free trade yielded the predicted benefits for farmers?

For farmers, so-called "Free Trade" agreements do two things simultaneously:

- œ By removing tariffs, quotas, and duties, these agreements erase the economic borders between nations and force the world's one billion farmers into a single, hyper-competitive market.
- œ At the same time, these agreements facilitate waves of agribusiness mergers that nearly eliminate competition for these corporations.

Economists agree: when competition increases—as it has for farmers—prices and profits decrease.

And when competition decreases—as for agribusiness corporations—prices and profits *increase*.

Thus trade agreements and globalization predictably decrease farmers' prices and profits and increase prices and profits for the dominant agribusiness corporations.

"Free Trade" agreements may increase trade but, much more importantly, they dramatically alter the relative size and market power of the players in the agri-food production chain. For farmers and their net incomes, increased exports may be one of the *least significant* effects of trade agreements and globalization. Much more significant—perhaps completely overwhelming any potential benefits from increased exports—may be the effect these agreements have on the balance of market power between farmers and agribusiness corporations, because this balance of market power determines the distribution of profits within the agri-food production chain.

The following graph shows that farmers have not benefited from "Free Trade" or rising exports.

Despite such evidence, the federal government wants to sign a new WTO agreement that will, it says, help end the farm crisis. The government also wants to expand the NAFTA to the tip of South America with the "Free Trade Area of the Americas" (FTAA). **Help reverse this destructive course. Help the NFU get the message to Ottawa: "Free Trade helps Cargill and Monsanto, not farmers."**

Canadian agri-food exports and realized net farm income: 1970-2002

\$0\$5\$10\$15\$20\$25\$30197019741978198219861990199419982002Billions of dollarsCanadianagri-foodexportsRealizednet farmincome

Sources: Stats. Can., *Agricultural Economic Statistics*; Agri-food Trade Service, International Markets Bureau.

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