

# **Achieving Sustainable Farm Income in Canada**

A Discussion Document for the Federal Government Task Force  
Led by Parliamentary Secretary Wayne Easter, MP

January 21, 2005

Presented By:

Douglas Campbell, Vice President, Alberta Region  
Western Canadian Wheat Growers Association  
Cochrane, AB, Tel: 403-932-6866 (Calgary Seminar, January 19, 2005)

Dean Klippenstine, Vice President, Saskatchewan Region  
Western Canadian Wheat Growers Association  
Avonlea, SK, Tel: 306 537-4698 (Saskatoon Seminar, January 20, 2005)

Joseph Janzen, Secretary-Treasurer  
Western Canadian Wheat Growers Association  
St. Francis Xavier, MB, Tel: 204-864-2328 (Brandon Seminar, Jan.21, 2005)

Blair Rutter, Executive Director  
Western Canadian Wheat Growers Association  
Winnipeg, MB, Tel: 204-253-6961



Western Canadian Wheat Growers Association (WCWGA)  
502 - 45th Street W., 2nd Floor  
Saskatoon, SK  
CANADA S7L 6H2  
T: 306-586-5866  
F: 306-244-4497  
[www.wheatgrowers.ca](http://www.wheatgrowers.ca)  
[info@wheatgrowers.ca](mailto:info@wheatgrowers.ca)

## Background

- Farm incomes in Canada have been declining for 35 years.
- Rural depopulation has been continuing for 74 years.
- Net cash income, in real terms, has been on the decline since 1961.
- The year 2003 saw gross operating costs exceed total market receipts for the first time ever.
- Decreasing real farm prices is a chronic issue. E.g., wheat declines at 1.3% per year.
- The number of farms decline steadily, despite prosperous or lean economic circumstances. E.g., between 1941 and 2001, farm number declined an average of 1.6%.

## Farm Typology

“Retirement” and “lifestyle” farms represent 20% of the total farms, but only 10% of product revenues. Large and very large farms represent 43% of total farms and generate 85% of revenues.

## The Issue of Revenues

1. The Canadian government estimates trade tariffs and subsidies (including the US and EU) imposed by importers and exporters “hurt” the grains and oilseeds sector by \$1.3-billion per year. For example, the Indian tariff on canola oil is 70%.
2. The propensity of the US government to “have their cake and eat it too” must be curbed. “Populist politics” that lead to the violation of international trade agreements must be challenged. The ability of US industry to cry “hurt” without liability for wrongful trade actions must end. In our view, Canada should seek compensation for damages and legal costs that are incurred by our industry as a result of spurious trade challenges, and pass such compensation on to the affected farmers. If compensation cannot be obtained from those who launch such actions, then the Canadian government should bear the responsibility to compensate Canadian farmers for damages and legal costs.
3. During its first 125 years, Western Canadian agrifood policy was focused on primary production only, with a merchant-like policy of cheaply shipping raw products ‘export’ markets, whether in the UK, Ontario, or elsewhere (Crow Rates, 1897-1983). Canada’s dominance in these and other global markets has now been lost. A great many countries are now capable of matching us. For example, in terms of exports, Brazil is now number one in beef (25%) and chicken (40%); number two in soybeans (35%) and soybean oil (32%); and number four in pork (14%). The margins in primary commodity production are very thin, since higher margins occur further down the value chain. For wheat, this means milling and baking, protein (gluten), starch and bran extraction, micro-nutrient extraction, bio-fuels, etc. For Canadian farmers to participate in this profit potential, the domestic utilization and pricing policies of the Canadian Wheat Board must be amended or exemptions granted. E.g., Prairie Pasta.

## **The Issue of Costs**

1. Taxation has become a significant burden in terms of farming costs. If Canadian citizens want continued access to low-cost, quality food, and if Canadian farmers are to be competitive on the world stage, then primary producers must have exemptions from taxation on farmland, fuels, chemicals, and fertilizers. In many instances, Canadian farmers are bearing a disproportionate share of the tax burden.
2. Regulations should be focused on food safety, farm safety and good competition policy. Regulations should not re-engineer the market-place. In addition, there must be harmonization of regulations between Canada & USA, especially regarding seeds, varieties, chemicals, and fertilizers, so as to avoid trade conflicts.

## **The Issues of Education, Innovation and Adaptation**

1. Governments must maintain and upgrade commitments to agricultural education, post-secondary education, basic research and development, as well as applied research and development. Research and development must be geared towards commercial uses, with an emphasis on products for both traditional and non-food uses, including bio-mass, ethanol, and bio-diesel.
2. Governments should provide the fiscal framework to encourage increased private-sector funding of research and development, new product commercialization, as well as product processing and packaging. Accelerated tax write-offs and investment tax credits are a place to start.
3. Governments have an important role to play in ensuring food safety, but must allow the marketplace to determine the extent to which quality management systems (e.g., traceability, identity-preservation, ISO programs, etc.) are adopted. Our fear is that governments may mandate programs which impose costs on farmers that cannot be passed on to consumers. If any such programs (e.g., environmental regulations) are still considered to be in the public interest, then the cost of such programs should be borne by the public purse.

## **The Issue of Safety Nets**

1. There should be a two priced system for CAIS.
2. Cash advances are an important tool for farmers as these improve cashflow and provide a greater opportunity to market our grain at a more optimal time. The interest-free portion has been locked-in at \$50,000 for many years. To better reflect today's farming operations, this amount should be increased to \$100,000.

## **Summary**

The Western Canadian Wheat Growers Association is convinced farm incomes can be enhanced if farmers are given greater freedom to operate, market, and add value, and if the tax and regulatory burden is reduced. Improvements to safety net programs could also go some distance to improving farm incomes.

Thank you for the consideration of our views.