

# Leaving decisions to US no way to make farm policy.

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It's not that Canadian agriculture hasn't faced major turning points in the past. But this time, the sector stands at a precipice. Over the next decade, many of Canada's commodity groups will face unprecedented competitive pressures from a rapidly changing international economic order. At stake is our competitive positioning on domestic and world markets, the fabric of rural economies/societies and, ultimately, the sustainability of Canada's productive land base.

With more enlightened and effective political leadership, Canada could have retained sovereign and sustainable control over many resource-based policy decisions. But it would seem that ship has sailed.

Now, the question is: how successfully will the farm sector be able to negotiate the sharp, hair-pin turn which government has placed in its immediate path? With few road hazard signs preceeding it, what will be the casualties? And what will the sector look like when it rounds the turn and comes out the other end? (Who will be calling the shots on the farm?)

One of our agri-food sector's greatest competitive strengths lies in the strong management skills of Canada's independent farm operators. For many commodities, this independence has been preserved by strong cooperative organizations at the producer level, many of which have placed marketing boards between themselves and large buyers and sellers to *level the playing field*.

But cooperatives are under threat, both from without and within. Increasingly, market economists (and some farmers contemplating significant price and market risk) point to contract integration by trans-national agri-food conglomerates as the panacea.

If this is the global bandwagon upon which we propose to place Canada's farming communities, it will be a rocky road indeed. The rough planks of this economic oxcart are filled with yesterday's splinters, and the music emitted a dirge to agricultural sustainability. What economists must come to grip with is that it will also vastly impede the competitive potential of Canada's agriculture sector, and with it the sector's ability to provide important sidestream benefits essential to tourism, wildlife management, environmental stewardship and community economic growth.

(Perhaps what is needed is a public north-south dialogue on the "benefits" of large-scale contract integration. Contract farmers in California farming crops inappropriate to the region in a non-sustainable manner, and who now face depleted soil and water resources and contract integrators who are "moving south", or farmers in Hawaii under contract to Dole could likely provide constructive input to this discussion. What may become evident from U.S. experience is that the "MacFarming" of food by large contract integrators — transferring decision-making to a remote, head-office, "bottom line" level — dangerously erodes on-farm control over sustainability and good farm practices. And that contract integration by large transnationals siphons off profits better left at the farm gate.)

Economists know the most competitive economic players are the fleet-footed and small. That giant hierarchical structures impede decision-making. That concentrated, non-competitive buyers and sellers extract monopoly rents inefficient for economic allocation. That seeking and securing quality niche markets is the financial reward of the adaptive and creative. That when money is placed locally in the hands of "the little guys", it delivers its maximum velocity.

The job at hand is assisting farm cooperatives to reposition themselves for the upcoming transition, not choosing flowers for the funeral.

(The casual observer might be forgiven for assuming that the sector itself holds this view. Some of B.C.'s oldest and historically strongest grower organizations are facing unprecedented internal

challenges from their members — some of which could ultimately break apart their cooperative structures. The B.C. Federation of Agriculture —representing, lest we forget, a farming community from which Canada's first marketing board emerged in the 1920's to set the standard for cooperative agricultural marketing for the next seven decades — is fast losing the credibility and support of its member organizations.)

Those who increasingly view producer marketing cooperatives as a "soft and woolly" concept now sadly out of step with rapidly changing and highly sophisticated global markets simply fail to get it.

The challenge facing B.C.'s farming community is to find ways to maximize competitive winds *underneath a strong, cooperative umbrella*. Accomplishing this may require some rethinking about what is meant by cooperation.

The cooperative umbrella should buffer the economic gales of the market place while ensuring that leading-edge farmers can sense correctly the earliest winds of market change and competitively position themselves to face new and emerging demand. To do this, producers must ensure that their cooperative structures include strong competitiveness-maximizing incentives. (Unfortunately, cooperation and competition are viewed by some as being mutually exclusive. The challenge to farm leaders will be to effectively shift this mindset by getting farmers to appreciate the advantages of working cooperatively in areas that really matter — e.g. sharing of production technology, ownership of capital assets — while at the same time maintaining a strong competitive culture and ethic in those areas which keep the sector on its toes and "ahead of the pack" — e.g. avoiding use of the average or lowest common denominator farm operator as the "industry standard").

Incentives must also be in place to reward above-average product quality and good farm stewardship and to penalize below-average performance. In the event of a conflict, the interests of full-time farmers must prevail.

On an external level, producer groups must demand that competitiveness assessments ("how will this support the competitive positioning of agriculture?") become a fundamental component of government policy deliberation at all levels.

Approached successfully, cooperatives offer the best of both worlds: rapid dissemination of product and market information through a solid and informed peership of skilled farm managers laced with the economic zest of individual entrepreneurship.

It is time for government policy economists and farmers to recognize and defend this position.

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