

- ➔ ✓ **POLICY CRISIS**
- ✓ **Economic Crisis**
- ✓ **Public Engagement**

- POLICY CRISIS**
- ✓ market concentration pre/post farm gate  
e.g. beef, hogs, grain, dairy
  - ✓ weakening of Canada's Competition Act
  - ✓ erosion of local infrastructure
  - ✓ erosion of regulatory & policy sovereignty  
GATT → WTO → FTA → NAFTA
  - ✓ drop in farm policy support
  - ✓ loss of domestic market share

- CONCENTRATION IN MEAT PACKING**  
Oligopolists of the late 1800's?
- rail
  - steel
  - tobacco
  - sugar refining
  - oil
  - explosives
  - breweries/refineries
  - agricultural equipment
  - **MEAT PACKING**

- CONCENTRATION IN MEAT PACKING**
- 1870: Gustavus Swift  
stockyards  
slaughter  
processing  
distribution and sales
  - 1890: 89% of cattle slaughtered in Chicago?  
Armour, Swift, Hammond, Morris
  - 1900: Armour # 8, Swift # 13 US Industry firms
  - 1904: Armour and Swift = 50% of US market
  - 1906: Armour and Swift = 100% of dressed beef mkt
  - 1917: Armour and Swift = 93% of US market

## CONCENTRATION IN MEAT PACKING

1887 Interstate Commerce Act  
 1890 Sherman Anti-Trust Act  
 1891 Meat Inspection Act

### Trust Busting:

✓ US Steel and Standard Oil;

“concentration in meat packing too difficult to measure...”

## CONCENTRATION IN MEAT PACKING

### Technology changes that drove expansion:

1920's: cellulose casings+skinless hot dogs

1930-40's: refrigerated rail and truck

1950's: vacuum packing

1960's: boxed beef

## CONCENTRATION IN MEAT PACKING

### 1980's: CONGLOMERATION

Armour → Greyhound

Wilson → LTV (+ sporting goods, pharmaceuticals)

### 1990's: 3 majors rule US beef + pork markets

**CONAGRA** (Armour, Swift, Monfort)

**IOWA BEEF PACKERS**

**CARGILL** (Excel)

### 2000: more concentrated than any time in 20th century

## Four-Firm Concentrations: Beef Packing

Year	Steer Heifer	Cow Bull	Cattle	Boxed Fed Beef
1980	35.7	9.7	28.4	52.9
1985	50.2	17.2	39	61.5
1987	67.1	20	54.2	79.5
1990	71.6	20.4	58.6	79.3
1993	79.8	24	66	82.7
1994	80.9	26.3	67.8	85.7
1995	79.3	23.5	67.3	84.3

Measures the market share of the top 4 firms in the industry.

Source: U.S. Department of Agriculture, Packers and Stockyards  
 Statistical Report: 1995 Reporting Year, GIPSA 97-1,  
 September 1997, Tables 27, 28, and 29.

## Herfindahl-Hirshman Index:Beef Packing

Year	Steer Heifer	Cow Bull	Cattle	Boxed Fed Beef
1980	561	89	361	1,220
1985	999	160	617	1,527
1987	1,435	206	946	1,981
1990	1,661	223	1,118	1,988
1993	2,052	276	1,393	2,236
1994	2,096	320	1,460	2,340
1995	1,982	293	1,437	2,208

Below 1,000 = not concentrated  
 1000 - 1,800 = moderately concentrated  
 Over 1,800 = highly concentrated

Source: U.S. Department of Agriculture, Packers and Stockyards  
 Statistical Report: 1995 Reporting Year, GIPSA 97-1,  
 September 1997, Tables 27, 28, and 29.

## CONCENTRATION IN MEAT PACKING

### 1999: 2 Senate Bills

✓ temporary halt to all mergers in  
 grain livestock seed  
 fertilizer food processing

✓ prevent packers from owning cattle

### US Ag Secretary Dan Glickman (1999):

“We should all be concerned when the trend to larger and fewer agricultural operations threatens to drive small operators out of business... Can't allow system of agricultural Darwinism to prevail with survival of fittest becoming survival of largest...”

## CONCENTRATION IN MEAT PACKING

May 2009: US Senate Hearing into Five Rivers Ranch

JBS - Jose Batista Sobrinho (Brazil)

2009 Buys: Swift for \$1.5 billion  
US Premium Beef  
Smithfield Foods \$1.3 billion

2009 Bid: Tasman Group (Australia) \$149 million

- Now World's Largest Packer
- Reduced US major firms from 5 to 3
- Five Rivers Ranch (Tx, Co, Id, Ka, Ok)
  - Joint Venture Smithfield and Continental Grain
  - 815,000 hd capacity
  - slaughter 2 million hd yr at 1300 lbs
  - Prompted US Senate Hearing May 2009

"Deal will basically make us tenant farmers on our own land with take it or leave it bids... The ability to vertically integrate by allowing more consolidation among packers and (allowing them to have) large feedlots like Five Rivers is economic waterboarding..."

Randy Stevenson, Wheatland, Wyoming

## POLICY CRISIS (CANADA)

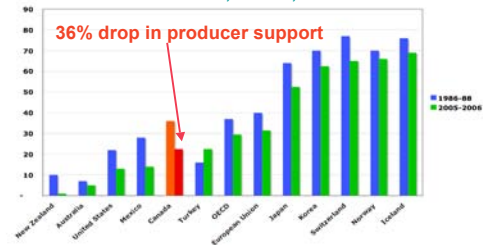
- ✓ BEEF
  - ✓ mid 80's - imports of boxed beef displace Canadian beef
  - ✓ packer concentration + ownership feeder cattle = CAPTIVE SUPPLIES
  - ✓ BSE - Ottawa's failure to act
- ✓ HOGS
  - ✓ Right wing think tank solution
  - ✓ Disaster for farmers and communities
- ✓ MILK
  - ✓ Small cooperatives merge
  - ✓ Parmalat and Saputo take over
  - ✓ Butter-oil sugar blends replace milk in ice cream
  - ✓ Milk protein concentrates replace milk in cheese
  - ✓ Legal challenge of CFIA's cheese regulations won but being appealed
- ✓ ESCALATING FEED AND FERTILIZER PRICES
  - ✓ ethanol
  - ✓ soon only two major fertilizer suppliers
- ✓ PLUMMETING FARM SUPPORT VS TRADING PARTNERS

## MEASURING UP...

Where Canada Stands in support for farmers

Canadian farmers are losing ground...

Percentage Producer Support Estimates, OECD Countries, 1986-88, 2005-06



In 1986-88 Canadian support to producers equaled 36% of farm gate returns. This dropped to 23% in 2005-6 compared with 30% for all OECD and 32% for EU.

## Decline in Support to Farmers, OECD Countries, 1986-88, 2005-06

Country	Drop (%)
New Zealand	0
Mexico	0
United States	0
Canada	38
Australia	0
European Union	0
OECD	0
Japan	0
Switzerland	0
Korea	0
Iceland	0
Norway	0

In the last 20 years, Canada cut support to farmers by 38%. This compares with an average drop of 20% for all OECD countries; 21% for the EU...

## Canadian farmers contribution to GDP remains steady...

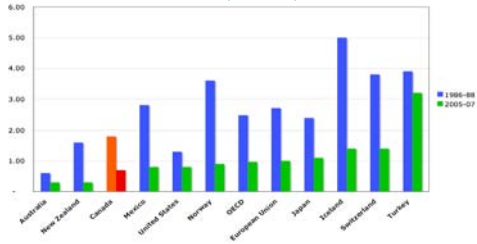
### Agriculture as a percent of GDP

Country	1986-88 (%)	Last 10 Yr Avg (%)
Japan	2.0	2.0
Switzerland	2.0	2.0
Norway	2.0	2.0
United States	2.0	2.0
Canada	2.0	2.0
Czech Republic	2.0	2.0
European Union	2.0	2.0
Poland	2.0	2.0
Belgium	2.0	2.0
Korea	2.0	2.0
Mexico	2.0	2.0
New Zealand	2.0	2.0
Iceland	2.0	2.0
Turkey	2.0	2.0

And while Canadian agriculture's contribution to GDP remained relatively steady over the past 20 years (compared with a 57% drop for the EU...)

Canada's farm support as % of GDP among lowest in OECD....

Total Support Estimates as a Percentage of GDP, OECD Countries, 1986-88, 2005-07



Canada's support to farmers in 2004-6 (.8%) was lower than all OECD nations other than Australia, NZ and Mexico. Support averages 39% higher as a % of GDP in OECD countries, 43% higher in EU.

How has this affected farm income?



✓ Policy Crisis



✓ ECONOMIC CRISIS

✓ Public Engagement

### ECONOMIC CRISIS



operating costs, debt

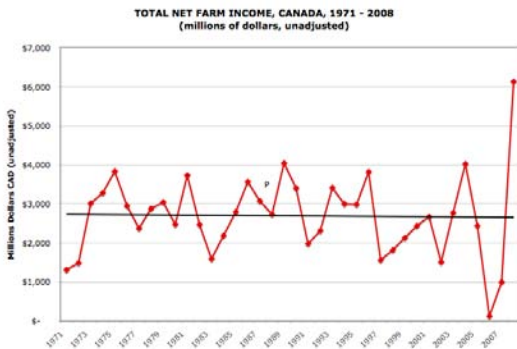


net farm income



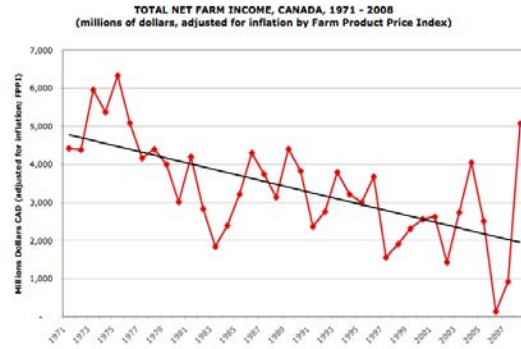
age of Canadian farmers

TOTAL NET FARM INCOME, UNADJUSTED, 1971-2008



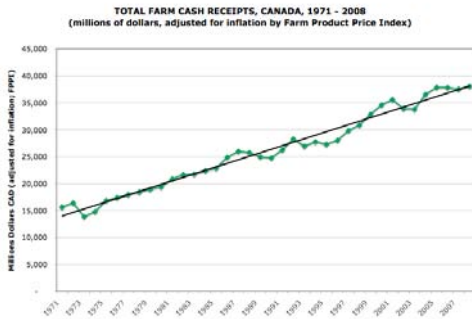
Source: Statistics Canada

TOTAL NET FARM INCOME, CONSTANT DOLLARS, 1971-2008



Woody Holm, The Holm Team, 2008

### TOTAL FARM CASH RECEIPTS, CONSTANT DOLLARS, 1971-2008



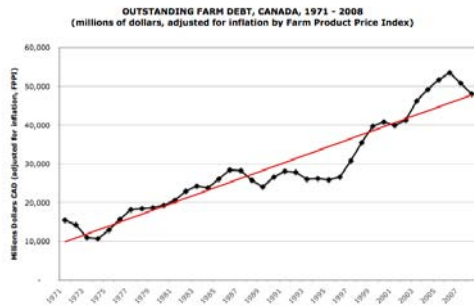
Source: Statistics Canada  
Table 052-0009: Income of farm operators from farming operations, annual.  
Table 052-0022: Farm product price index (FPPI) annual.

### TOTAL OPERATING EXPENSES, CONSTANT DOLLARS, 1971-2008



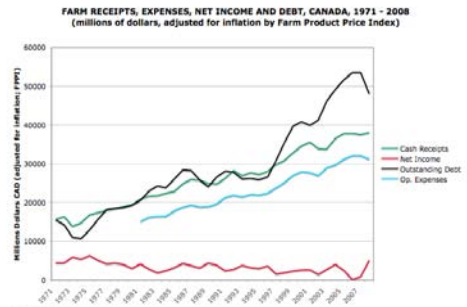
Source: Statistics Canada  
Table 052-0020: Farm operating expenses and depreciation charges, annual.  
Table 052-0022: Farm product price index (FPPI) annual.

### OUTSTANDING FARM DEBT, CONSTANT DOLLARS, 1971-2008



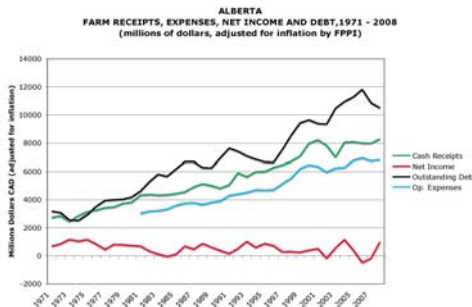
Wendy Helm, The Helm Team, 2009

### JAWS OF THE CROCODILE...



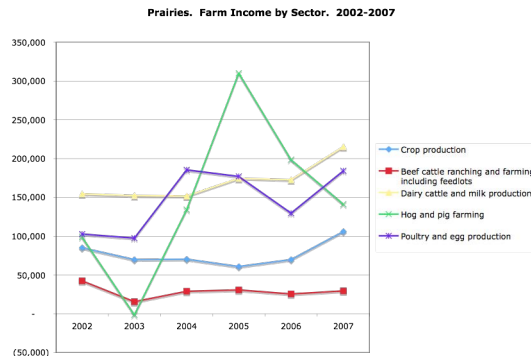
Source: Statistics Canada  
Table 052-0009: Income of farm operators from farming operations, annual.  
Table 052-0020: Farm debt outstanding, annual.  
Table 052-0022: Farm product price index (FPPI) annual.

### THE ALBERTA CROCODILE...

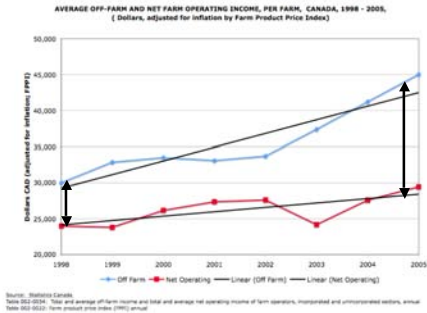


Source: Statistics Canada  
Table 052-0009: Income of farm operators from farming operations, annual.  
Table 052-0020: Farm debt outstanding, annual.  
Table 052-0022: Farm product price index (FPPI) annual.

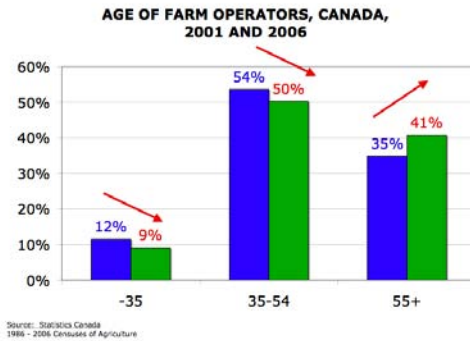
### Comparison of farm income by commodity group...



**OFF FARM WORK IS PAYING THE BILLS...**

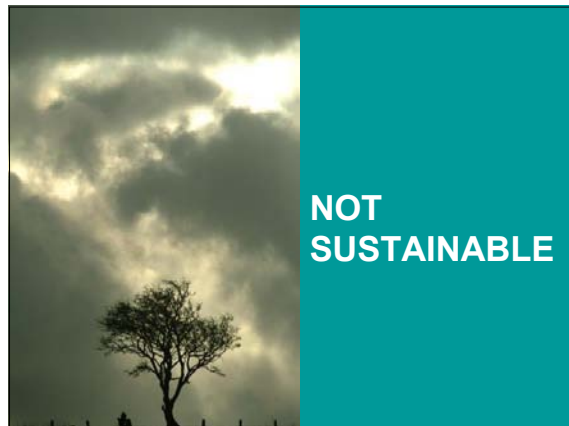
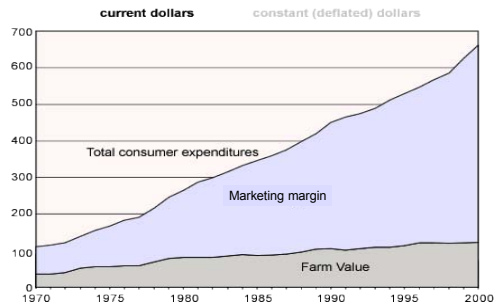


**Where will our future farmers come from?**



**PUBLIC DISCONNECT**

**Trends in Food Spending, Marketing Bill, and Farm Value, 1970-2000**  
billion dollars



**WHERE IS THE LEADERSHIP?**

Junkets to Japan and Europe - handful of farmers... What is accomplished?

Cheaper and more strategic to take back more domestic market share...

### WHERE IS THE LEADERSHIP?

Paying to produce a safer product  
e.g. \$75 hd SRM costs  
e.g. stricter veterinary regulations  
e.g. trace-back

Yet consumer can't "buy Canadian" ...  
instead of fighting US Country of Origin Labeling,  
why not a "CANADA COOL"

(let Canadian consumer choose Canadian beef...)

### WHERE IS THE LEADERSHIP?

Packer concentration and ownership of cattle allows packers to manipulate/control cattle prices. This takes money out of the pockets of farmers and is not sustainable.

Packers should not be allowed to own cattle.

If small local kill plants face higher CFIA costs to get into operation, government should provide assistance to support those costs...

### WHERE IS THE LEADERSHIP?

Cooperatives are more nimble, fit economic players. (e.g. can collude to build market share, exempt from Combines)

Government should provide support to strengthen farmer cooperatives...

Feeder Association of Alberta should leverage more support from other cooperatives...

### WHERE IS THE LEADERSHIP?

Check-off should be mandatory for all - including packers - to fund industry development and support little players...

Agri-Recovery Fund should be available to provide disaster relief e.g. in drought areas...

### MYTHS...

Farmers are only 3-5% of population so it is hard to come up with money for...

Difficult for government to invest more than the size of the industry justifies....

Farmers need to undergo transformational change...

Farmers need to become more competitive...

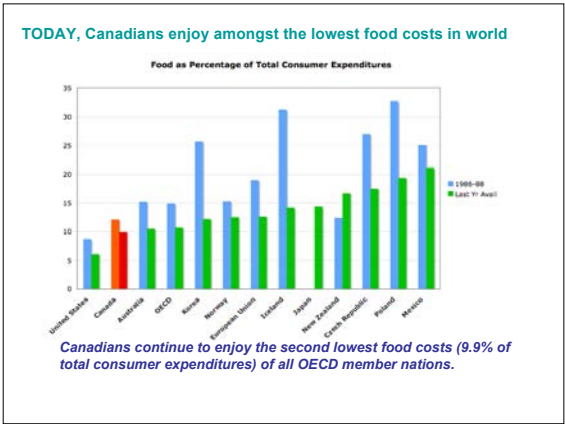
### MYTH: Low packer margins don't allow much profit-taking

- Small price effects have significant effects on packer and feeder profit.
- AMI figures for the years 1979-86 report livestock costs were nearly 88%, and before-tax earnings only about 1.25%, of total beef packing sales during this period.
- Thus a fall in cattle prices of only .5% has the potential to increase packers' profit by about 35%.
- Iowa Cooperative Extension Service figures (Futrell) estimate the returns from finishing yearling steers to Choice slaughter grade to have been approximately \$49/head in the fourth quarter of 1990.
- The same .5% decline amounts to a \$4.40/head profit loss on a 1,100 pound steer at \$80/cwt. In other words, feeders' profit would decrease by nearly 9%

Implications of Increased Regional Concentration and Oligopsonistic Coordination in the Beef Packing Industry. Azzeddine M. Azzam and John R. Schroeter



- ✓ Policy Crisis
- ✓ Economic Crisis
- ➔ ✓ PUBLIC ENGAGEMENT





**Sustainable (Bruntland):**  
*Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.*

**Unsustainable (Pollen):**  
*To call a practice or a system unsustainable is not just to lodge the objection based on aesthetics, say, or fairness, or some ideal of environmental rectitude. What it means is that the practice or process can't go on indefinitely because it is destroying the very conditions on which it depends.*



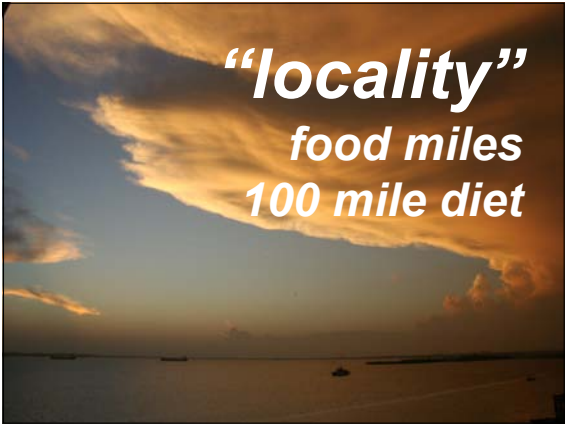
**FOOD SECURITY** means that food is available at all times; that all persons have means of access to it; that it is nutritionally adequate in terms of quantity, quality and variety; and that it is acceptable within the given culture. Only when all these conditions are in place can a population be considered "food secure."

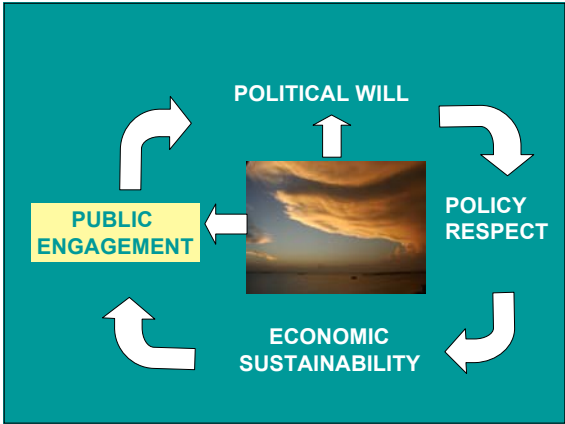
United Nations Food and Agriculture Organization

Short Term: disaster planning

Medium Term: reduce risk, strengthen communities

Longer Term: sustainability, climate change





FOOD AS A BASIC HUMAN RIGHT:  
 Every Canadian has the right to a secure daily supply of affordable, accessible, safe and nourishing food produced in a manner that respects the soils, the farmer, the environment and the community.





## FOOD SOVEREIGNTY

...the right of peoples, communities, and countries to define their own agricultural, labor, fishing, food and land policies which are ecologically, socially, economically and culturally appropriate to their unique circumstances.

Institute for Food and Development Policy



### TRIPLE Bottom Line



1. **Economics:** locality, security
2. **Environment:** sustainability
3. **Community:** accessibility, affordability, safety, locality, security

### SUSTAINABLE Bottom line



4. **Sovereignty:** right to develop a made-in-Canada food policy. A GOVERNANCE issue. Starts at the community level.

## LOCAL FARMERS

Economic heroes of local communities

- ↓ GHG's
- ↓ Vulnerability of food system to weather and markets
- ↑ Choice
- ↑ Biodiversity
- ↑ Fresh and nutritious
- ↑ Controls on quality and inputs
- ↑ Community Economic Development

## LOCAL GOVERNMENT PRIORITIES

- Accessibility and availability of food
- Farmers' Markets (relationships)
- Develop food security plans as part of social and economic planning
- Food Policy Councils
- Systems to redistribute surpluses
- Food banks vs. Long Term Food Security
- Leadership at regional, provincial and national level

NEED TO CONNECT THE DOTS.....

- Speak in one voice
- Build and leverage support at municipal and regional government level
- Pursue natural/organic markets and local slaughter capacity
- Leverage cooperative strengths
- Collaborate with local governments to call for Alberta leadership on Canadian COOL
- Tell your "story" to Albertans - it is a compelling one

# RESPECT



Wendy Holm, P.Ag.

THE HOLM TEAM

[theholmteam.ca](http://theholmteam.ca)

[wendy@theholmteam.ca](mailto:wendy@theholmteam.ca)

604.947.2893

