

Ontario Landowners' Association (OLA)

Discussion paper

Finding profits on Canadian farms

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Introduction- The need to reform farming

The decline in agriculture and the devastation of farming cannot be accurately viewed as a crisis. The devastation has been protracted, incremental and without climax. It is not a crisis but a tragedy with far reaching, negative and serious consequences for all Canadians.

Agriculture has become an unwieldy industry and a subject difficult for the layman to comprehend due to its diversity of commodities, practices, the undue magnitude of regulations, trade restrictions and, not the least, representatives lacking accountability. In Ontario there are 129 mandatory commodity and marketing boards that compel farmers to pay licensing fees, permits and which receive automatic or mandatory commissions on all produce transactions. The threat by these agencies to revoke licences or quota is ever present for many farmers.

The attached briefs on Tobacco, Cheese, Farmers' Markets, Abattoirs, and Chicken Farming are intended to illustrate the present agricultural situation and provide insight into the magnitude of the problems farmers must endure.

The cost of acquiring quota in supply-managed sectors has become prohibitive and prevents new farmers and farms from establishing themselves in these commodities. Furthermore, the lack of profit opportunities in all other farm commodities prevents new farms and farmers from entering the non-supply-managed sectors. These two factors are clearly a recipe for disaster—not only for farmers, but all rural Canada.

However, the solutions are less complex than the problems and are clearly discernable from the attached briefs. The solution is to restore the principles of a free market place, the same principles all other Canadian industries enjoy and which are non-existent in Canadian agriculture. They are:

1. Free and uninhibited access to domestic markets.
2. Protection from unfair trade practices.
3. Freedom of association—not compulsory, mandatory and costly membership in unaccountable commodity boards and groups.
4. Government has a role to prevent economic monopolies and oligopolies from forming and depriving people of a competitive marketplace.
5. A legislative and regulatory environment that is based upon historical and demonstrable necessity and benefits—not suspicion and false fears.
6. Accountability of regulatory enforcement agencies and officials.
7. Transparent regulatory processes which exposes big agri-business and their 'stakeholder' role creating excessive regulation that affect small-scale farmers.

It's these principles that provided the opportunity for Canada and Canadians to create a prosperous and wealthy nation and peoples. And it is the abrogation of these principles that has caused the decline and destruction of Canadian farms and that places Canada's sovereignty in jeopardy through food dependence on others.

Good Cheese-Rotten Business

On December 7, 2005, an official from the Ontario Ministry of Natural Resources (MNR) in conjunction with an inspector from the Dairy Farmers of Ontario (DFO) raided a dairy farm and threatened legal action against two farmers in Stormont County, east of Ottawa.

The justification for the raid was the making of cheese, by cheese maker Remy Levac from St Bernadin. Remy makes cheese in his mobile unit for area farmers, from their own milk, for their own use. Although it is illegal for farmers to sell cheese or butter made from cow's milk in Canada, it is legal to produce cheese for one's own personal consumption.

Both the farmer and cheese maker were told to get a lawyer, and not to make cheese again under threat of fines and confiscation of the cheese-making equipment. Three years earlier, the cheese maker had consulted officials from both the provincial government (OMAF) and DFO, and was told that making cheese from a farmer's own milk, for his own use, was legal under the Milk Act.

This raid is an illustration of what farmers have to endure when one bureaucracy creates regulations and a different bureaucracy enforces them. Since 2000, the MNR conservation officers have investigated and enforced Ministry of Agriculture legislation and regulations.

This raid further illustrates the failings of a marketing board that makes enforcement a greater priority than the marketing of the commodity or creating a profitable business environment. Far greater effort and deployment of resources are put into restricting of commerce and trade in milk, than into increasing market consumption. Canada has lost over 38,000 dairy farms since 1980.¹

Furthermore, the marketing board's lack of accountability makes it easy for them to propagate falsehoods, and misinterpret the legislation, in order to justify their actions. The DFO general Manager (Peter Gould) stated that unjust intrusions and threats to seize equipment and fine dairy farmers were due to a batch of bad cheese made in Barrie. This story was then re-told, by DFO board members, to milk committees across Ontario to further justify the raid. However, Gould recanted that story at a recent Dairy Farmers of Canada meeting, stating that the Barrie incident involved the consuming of raw milk, not cheese.

It is evident the raid and threats of legal action were made without legislative authority, and that the making of cheese did not compromise food safety or create a health concern.

¹ Source: *Dairy Market Review, 2004*. Agriculture and Agri-Food Canada, 2005, page 8 : http://www.dairyinfo.gc.ca/pdf_files/dmr2004.pdf

There is no historical or documented case of bad cheese being produced on a farm in Ontario.

Another incident concerns cheese maker and dairy farmer Margaret Morris from Glengarry County who has built a phenomenal business supplying cheese making equipment to over 4000 customers in the USA. She also trains people to make cheese and has written a book on the art. However, Ms. Morris has also run afoul of the Milk regulators and Big Business.

Three large milk processors control 70%² of the Canadian milk market (Saputo, Parmalat & Agripur) and control the Canadian Dairy Council. Morris obtained quota for seven different types of unique cheeses for the Canadian market and is attempting to build a factory. However, the DFO is attempting to prevent Morris from receiving any milk shipments. She has contracts for all her quota and could sell more if there was more quota available.

Based on historical trends and reliable estimates, Canada could support upwards of 400 small cheese plants; were it not for the pressure from large processors.

² **Market share of the three largest milk processors in the Canadian milk market**

"The dairy processing industry is relatively concentrated in Canada. Agropur, Parmalat, Saputo process 70% of the milk produced in Canada."

Source: *Dairy Market Review, 2004*. Agriculture and Agri-Food Canada, 2005, page 2 : http://www.dairyinfo.gc.ca/pdf_files/dmr2004.pdf

What's the beef- Where's the lamb?

Canadian Farmers who produce and raise livestock have been herded into an untenable position, which insures profitability for everyone involved in agriculture except the farmer and small business. Regulations are the means used to corral farmers and small businesses into an unprofitable existence and that prevent farmers and small businesses from engaging in trade and commerce.

Restrictions on Inter provincial trade hinder and disadvantage farmers and operators of small abattoirs and prevent profitability. Presently, three large retailers dominate the retailing of groceries in Canada. These retailers ship produce across the country from large central warehouses. Due to provincial legislation, meat butchered in one province cannot be legally sold in a different province, except and unless it was butchered in a "Federal" plant. This prevents the hundreds of small independent abattoirs from selling to corporations such as Sobeys, Metro and Loblaws who control over 63% of the marketplace³. It also prevents these same small abattoirs from competing for the farmers' beef, lambs and poultry production.

The high cost of regulations and inspections prevents these same small abattoirs from becoming federally inspected plants. Over 73% of all federal inspected beef is controlled by two large corporations, Cargill and Tyson's.⁴

³ Source: CIBC World Markets estimates for 2003

Document SN00000020040611e0670000g

⁴ Canadian Beef Packing - 2005

Sources: Canfax, Annual Report, 2004

Notes: Cargill acquired Better Beef in early 2005. Cargill and Tyson are expanding their Alberta plants so their slaughter capacities and market shares will rise in 2005 and 2006.

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Canadians import all lamb from New Zealand due to the fact that there are no federal licensed lamb abattoirs. It is ludicrous that Canadian lamb cannot be sold in the supermarket chains because of the lack of a federally inspected abattoir.

In the last seven years, over 100 small abattoirs have closed in Ontario alone. This can be attributed to the diminishing marketplace for provincially-inspected meats, and the ruthless enforcement and escalation of costly regulatory standards, many of which provide no additional benefit or safety to the Canadian consumer. What the closure of these small abattoirs does is reinforce the stranglehold on the marketplace by the few large corporations.

A taxing appetite for monopolies- The war on Tobacco

Less than a generation ago, Ontario grew and harvested over 250 million pounds of tobacco. By 2005, the tobacco crop had plummeted to 85-million pounds, and imports that were once limited to 5 per cent of the domestic market have now reached 25%. The painful and incremental erosion that has befallen Ontario's once prosperous tobacco farmers is the result of excessive taxation, smuggling, imports, restrictive trade and economic practices, and unjust legislation, compounded with falling prices. The effect is the drastic reduction in tobacco farmers from 5000 to about 500 and a looming total collapse of a once prosperous industry.

The flue-cured tobacco marketing board in concert with specific government departments negotiated and fostered an environment of corporate monopoly which stifled the free marketplace, lowered crop sizes, encouraged increased imports, and created the era of agri-business cannibals to prey upon Canadian farmers. Legislation forces all Tobacco growers to belong to this marketing board and furthermore, requires them by law to sell their harvest to the marketing board. Only government & board licensed buyers may attend the auction sales.

However, tobacco farmers are not the only casualties of the agri-monopolies. Less than a generation ago over twenty tobacco leaf processors and cigarette manufactures competed to purchase the tobacco crop at three auction houses. This competition insured a healthy and profitable Tobacco industry and significant employment and secondary economic spin-offs. In 2006, only three multi-national corporations remain to purchase Canadian grown tobacco and control 94% of the marketplace⁵. This monopolization has driven the price of tobacco below production costs and moved all but one processing and one manufacturing plant offshore. The loss of employment for thousands of residents and of tax revenue for the communities has inflicted severe economic pain throughout Southern Ontario.

While the tobacco farmers and employment die, the federal and provincial governments continue to derive 7.8 Billion dollars a year in taxation, and the big three companies earn record profits of 1.5 billion dollars in 2003⁶.

⁵ Market share of Canadian cigarettes trade

See: *Cigarette Brands Sold in Canada, 2003: Market share of manufacturers and cigarette types*. Physicians for a Smoke-Free Canada, June 2004. <http://www.smoke-free.ca/factsheets/pdf/brands.pdf> .

⁶ Government tax revenues, and Industry earnings

People need only to visit the tobacco belt to witness the path of economic destruction that is being laid out for the Canadian people by farm groups, commodity and marketing boards, bureaucrats and multinationals. It is a path leading to food dependency, loss of manufacturing plants, employment, and the ultimate forcing of farmers into serfdom. Democracy and sovereignty are being traded away for the profitability of a monopoly. Canadian farms and rural communities are being denied the ability to prosper and left to debt, apathy and the loss of their heritage to feed the cannibals appetite.

Please see: cigarette Industry earnings in Canada. . Physicians for a Smoke-Free Canada, June 2004.

<http://www.smoke-free.ca/factsheets/pdf/earnings.pdf>

The Production of Chicken, (and their eggs), and Turkeys in Ont.

By Non Quota Holders; Small Farms and Hobbyists

Two Main Concerns Are The Loss of Freedom of Choice For:

1. Producers: No one in Ont. can choose to produce and sell or give away any dressed chicken or turkey without owning Quota. For Chicken the minimum Quota is 14,000 Units at 12.2Kg./Unit = 170,800kgs x2.2 = 375,760 Lbs. at 5Lb/Chicken = 75,152 Chickens as min. Quota. The present cost to acquire minimum startup quota is \$850,000.00
2. Consumers: No one in Ont. can choose to purchase their dressed chicken or turkey directly from a farm (where they are produced) or any other place including farmers markets. The only legal place to buy these items is at a store where the Birds are supplied by Quota holders. There are approx. 1,000 Quota holders for chicken in Ontario.

Marketing Boards and Government agencies:

that legislate, govern and enforce rules regarding the Production of Chicken (and their eggs), and Turkeys in Ont

1. Ontario Broiler Hatching Egg and Chick Commission: Licensing and regulator of Hatching Egg Producers. Hatcheries and Broker Dealers.
2. Chicken Farmers of Ontario: Legislate and Regulate the Production of Chicken for Meat
3. Chicken Farmers of Canada
4. Ontario Egg Producers Marketing Board
5. Canadian Egg Marketing Agency
6. Canadian Broiler Hatching Egg Marketing Agency: Regulate the inter-provincial and export of hatching eggs and Chicks
7. Ontario Turkey Producers Marketing Agency: License, Legislate, and Regulate, Production of all Turkey in Ont.
8. Canadian Turkey Producers Marketing Agency
9. Canadian Food Inspection Agency: Multitude of Functions relating to Food Production eg; Regulate and License Hatcheries
10. Department of Health: Protection and Inspection
11. Natural Resources: Enforcement of Rules:

The Marketing Boards Definition of a Chicken

A chicken or any class or part thereof produced from the egg of a domestic hen. No species or type of chicken is exempt. Any chicken grown for production of meat must be registered with the Board and is covered by all regulations. The regulation provides for the control and regulation in any or all respects of the producing and marketing within Ontario of chicken, including the Prohibition of such producing and marketing in whole or in part.

Exemption: Chickens that are sold to a person for production of chicken by that person on that person's premises and for consumption by that person and family members are exempt from this regulation. Only one person / premises is exempted. None of the chickens may be marketed or given away free. The maximum Number of chickens is 300 /person/premises/ year.

Requirements for purchasers of live Meat chicks:

Weekly reports to the Ontario Broiler Hatching Egg and Chick Commission and the Chicken Farmers of Ontario with all details of purchases and sales of meat chicks. As of Jan. 1, 2006 The Chicken Farmers of Ontario require every Person purchasing meat chicks to fill out FORM: 36 *Purchasers of chicken grown for home consumption.*

This form states that: Every person buying any chicken for production of meat must fill out this form in full and sign it prior to the dealer releasing the birds to that person. They must have this signed form with them before any licensed Slaughter house will butcher their Chickens. Form 36; states that: The under signed hereby confirms that I have read and understood (all Regulations and Rules Listed on this form). I understand and agree that I will produce the chicken at the indicated address for Consumption by myself and members of my family. I further agree that NO Chicken will be marketed or given away freely.

There is a multitude of other rules: One of which is that all Broiler Hatching eggs and Broiler chicks that are shipped from one province to another require that both the seller and the purchaser hold an Inter-provincial and Export License, issued by the Canadian Broiler Hatching Egg Marketing Agency.

Regulation of Chicken eggs for Human Consumption:

Un-graded eggs can be sold directly from the farm where they were produced to individuals for their personal use. They cannot resell them. The farmer cannot sell his eggs any where off the farm including farmers markets, unless they are graded at a licensed Egg Grading Station. There are no longer any grading stations in Eastern Ontario open to the Public. Thus there is no way to get your eggs graded.

Producing and marketing Turkey's in Ontario:

The Ontario Turkey Producers Marketing Board states that a dealer must comply with the following rules;

No More than fifty (50) poults may be sold to any one person and or Premises unless they hold a dealer license or registered quota within this office. All Turkeys must be reported, this includes Bronze Turkeys or any other exotic turkeys that you sell. You have 21 days to distribute all turkey poults in your possession. All turkeys marketed to a person other than the holder of a valid dealer License issued by the commodity Board shall be released by the dealer to the purchaser of these turkeys and to No other Person.

Farmers markets- more hazards to your health

Farmers markets have come under increasing regulatory pressure that is destroying their economic viability. The enclosed letter is one further example of a Government agency endeavouring to prevent farmers from earning a greater share and percentage of the consumer's food dollar.

Historically farmers markets have been the one avenue for farmers to market their produce directly to consumers and prevent large processors and retailers from depressing farm incomes.

In September 2005, The Lanark – Leeds & Grenville Health Unit re-produced a list of appropriate foods to be sold at farmers Markets. This list is used as a guideline for all Ontario Health units. It is abundantly evident that the Health Units encourage the marketing and consumption of processed food. The following is excerpted from the Health Unit's list of appropriate foods.

1. Cold drinks are sold in or from the original container; (such as coke & Pepsi).
2. Frozen confections are sold in the original package or wrapper (such as popsicles & Mr. Freeze).
3. Hot beverages are prepared or sold (tea or coffee).
4. Farms selling their own farm products in the form of honey, maple syrup or unprocessed fruits, vegetables and grains.
5. No farmers' markets shall store, handle, serve, process, prepare, display, distribute, transport, offer for sale, sell ungraded, or grade "C" eggs.

**Ontario Producer Based Farmers' Markets Association
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February 6, 2006

Mr. George Smitherman, Minister of Health
Dr. Zsuzsanna Rajda, Food Safety Consultant, Ministry of Health
Dr. Sheela Basrur, Chief Medical Officer of Health

Subject: Ontario Farmers' Markets Food Safety Working Group

Dear Sir/Madam:

The implementation of recommendations of the FMO task force is inappropriate and fails to meet any of the stated goals and objectives of the working group.

Furthermore, we have no confidence with the process your ministry imposed on the Farmers' Markets Ontario (FMO) to have a consistent and relevant Food Safety Program in place for farmers' markets in the Province of Ontario.

This process has completely denied input from market vendors and consumers: and skewed the issues of food safety. The FMO task force was taken over, staffed, and chaired by ministry staff. Consultation, particularly with farmers' market vendors and consumer stakeholders must occur in developing recommendations not at the implementation phase. The members of the Task Force were coerced into confidentiality of the recommendations; yet, everyone within government from municipal to provincial government employees were aware of the progress.

The recommendations in the December 29, 2005 final report do not address food safety issues in either a functional or practical fashion. There is currently no definition of a hazardous food in any Ontario Food related regulation, yet these recommendations are based on this unknown definition. There is no review of actual cases of food related illnesses at farmers markets or what actions taken to improve food safety. A practical and reasonable document would list products that have a greater probability of causing food related illness and then scientifically determine a method to mitigate this probability.

It may be very difficult to define a "Farmers' Market" as recommended. What the task force must define is a "Producer Based Farmers' Market." The products in these markets are locally grown and the vendor is the grower/producer. This is the true issue. This is what the farmers' market should be selling to support the local agricultural producer and is what the consumer who frequents farmers' markets desire[s].

The original document must be withdrawn from consideration or implementation, due to the many flaws and its failure to address the issues. And a new task force created with real stakeholders (producer vendors and customers).

It is essential that this action be taken immediately. The Ontario Producer Based farmers' Markets Association will not comply with any of the proposed recommendations.

Solutions

The following legal commodities are and have been profitable throughout the last generation and remain so today: Hay, Oats, Firewood, Buckwheat, and Sunflower seed (For bird seed—not human consumption) and in livestock, Horses. These items have one element in common and one that separates them from all other farm commodities—There are no marketing boards for these commodities.

Solutions must be focused and implemented to achieve the desired affects and the objectives. The following recommendations will achieve farm profitability, eliminate economic incentives for intensive farming, insure Canadians have a safe and independent food supply, protect supply managed industries, increase employment in agriculture industries, increased choices for consumers, and reduce the risk and probability of livestock disease.

1. Provide federal and provincial bridge financing and/or grants based on the difference between market revenue and production costs, until the following recommendations are enacted.
2. Impose Tariffs and/or duties on all subsidised foreign commodities equal to the amount of subsidies and the cost of Canadian environmental regulations.
3. Eliminate Canada Grade A labelling unless the produce is grown, raised and processed in Canada. All foreign food products will carry the country of origins' grading.
4. Implement anti-trust and anti-dumping legislation that prevents corporations from predatory trade practices.
5. Insure accountability of bureaucrats with regard to legislation. Hold individual bureaucrats legally responsible and liable for their actions through federal legislation.
6. Entrench Property Rights in the Constitution.
7. Eliminate mandatory membership in commodity or marketing boards. Re-establish the principle of Freedom of association.
8. Eliminate federal inspections and licensing of abattoirs, or accredit Provincial standards that meet federal guidelines, to insure provincial trade of all meat products.
9. Zero value quota through negotiated fair market buy-outs, which compensate based on cost and financing of quota acquisition.
10. Supply-managed sectors become optional and applicable only to those industries where the processors and producers agree to a buyer-seller contract-relationship. A marketing board or supply-managed sector contract cannot infringe upon those people and commodities that are not signatory to the contract.
11. Fluid milk becomes a distinct and separate commodity from Industrial milk for processing into cheese, butter, etc.
12. Eliminate exclusive marketing rights and licensing. Re-establish “free market principles”.

Contributors:

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