

**University of Alberta**

**From Farm Crisis to Food Crisis**

*Neoliberal Reform in Canadian Agriculture and the Future of Agri-Food Policy*

by

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**This dissertation is dedicated to the memory of my father**

*Ronald Edwin Wipf*

## **Abstract**

This dissertation begins by providing an overview of Canadian agriculture policy during the first half of the twentieth century. It examines the origins of railway transportation subsidies, farm income subsidies, and the Canadian Wheat Board (CWB), policy instruments that became structural features of the agricultural industry on the prairies. It then analyzes the structural pressures that led governments to rethink these features beginning in the 1970s, and the demographic and political context in which farmer support for collective institutions was eroded and neoliberal farm groups came to influence public policy over the decades that followed. Subsequent chapters examine the way that the federal government attempted to reform farm income subsidies in the 1990s and 2000s, in order to adhere to newly established international trade rules, and the relative success of those efforts. Two chapters are then devoted to the political struggle between the neoliberal and collectivist coalitions (farm groups, opposition parties, and governments) over the future of the CWB's single desk. The second of these chapters focuses on the final political struggle that occurred once the Harper Conservatives won a majority government in 2011, and how the single desk was finally brought to an end. Two concluding chapters then examine the new politics that has emerged around issues pertaining to food security, food safety, and environmental sustainability in Canada, how these issues affect, but often fail to intersect with, the continuing debates about the future of Canadian farming. The dissertation ends by exploring ways that prairie farmers might make connections to these issues, and with the groups working on them, in order to ensure their involvement in the future of agri-food policy in Canada.

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## **List of Abbreviations**

AAFC	Agriculture and Agri-Food Canada
ABC	Alberta Barley Commission
ABP	Alberta Beef Producers
ACC	Alberta Canola Commission
ADM	Archer Daniels Midland
AFM	Alternative Food Movement
AGC	Alberta Grain Commission
AIDA	Agricultural Income Disaster Assistance
AOC	Alberta Oats Commission
APF	Agricultural Policy Framework
APP	Advance Payments Program
APAS	Agricultural Producers Association of Saskatchewan
APSA	Agricultural Producers Support Act
APSB	Agricultural Prices Support Board
ASA	Agricultural Stabilization Act
ASB	Agricultural Support Board
ASWPC	Alberta Soft Wheat Producers Commission
AU	Agricore United
AWB	Australian Wheat Board
AWC	Alberta Wheat Commission
AWP	Alberta Wheat Pool
AWWPC	Alberta Winter Wheat Producers Commission
BCC	Barley Council of Canada
BGS	Board of Grain Supervisors
BPC	Basis Price Contract
BRM	Business Risk Management
BRNGC	Battle River New Generation Coop
BSE	Bovine Spongiform Encephalopathy
CAEP	Canadian Agricultural Equity Program
CAFTA	Canadian Agri-Food Trade Alliance
CAIS	Canadian Agricultural Income Stabilization
CAP	Common Agricultural Policy
CAPI	Canadian Agri-Food Policy Institute
CBM	Continental Barley Market
CCC	Canola Council of Canada
CDC	Canadian Dairy Commission
CETA	Comprehensive Economic and Trade Agreement
CFA	Canadian Federation of Agriculture
CFIA	Canadian Food Inspection Agency
CFCA	Community Food Connections Association
CFPC	Calgary Food Policy Council
CFJ	Canadian Farmers for Justice
CFIP	Canadian Farm Income Program
CFPC	Calgary Food Policy Council
CGC	Canadian Grain Commission

CI	Crop Insurance
CIGI	Canadian International Grains Institute
CMBTC	Canadian Malting Barley Technical Centre
CNH	Case-New Holland
CPC	Conservative Party of Canada
CPR	Canadian Pacific Railway
CUSTA	Canada-US Free Trade Agreement
CWA	Canadian Wheat Alliance
CWB	Canadian Wheat Board
CWBA	Canadian Wheat Board Alliance
DEC	Delivery Exchange Contract
DPC	Daily Price Contract
EEP	Export Enhancement Program
EPO	Early Payment Option
EU	European Union
FAO	Food and Agriculture Organization
FCC	Farm Credit Corporation
FCWB	Friends of the Canadian Wheat Board
FFF	Family Farm Foundation
FGFA	Feed Grain Freight Assistance
FHAC	Food and Hunger Action Committee
FIDP	Farm Income Disaster Program
FILA	Farm Improvement Loans Act
FIPA	Farm Income Protection Act
FMM	Food Matters Manitoba
FPC	Fixed Price Contract
FSC	Food Secure Canada
FSS	Food Secure Saskatchewan
GATT	General Agreement in Tariffs and Trade
GF2	Growing Forward II
GFSA	Growing Food Security Alberta
GGC	Grain Growers of Canada
GM	Genetically Modified
GOSNC	Grain and Oilseed Safety Net Committee
GRIP	Gross Revenue Insurance Program
ICESR	International Covenant on Economic, Social, and Cultural Rights
IMF	International Monetary Fund
IBP	Iowa Beef Packers
IPC	International Planning Committee for Food Sovereignty
JFE	Just Food Edmonton
KAP	Keystone Agricultural Producers
LIFT	Lower Inventories For Tomorrow
MAC	Malting Association of Canada
MAFRA	Manitoba Alternative Food Research Alliance
MCIG	Marketing Choice Implementation Group
MFB	Manitoba Farm Bureau
MFC	Manitoba Food Charter

MHFC	Medicine Hat Food Charter
MOGA	Manitoba Oat Growers Association
MPE	Manitoba Pool Elevators
NBRM	Non-Business Risk Management
NCC	National Citizens Coalition
NDP	New Democratic Party
NDWC	North Dakota Wheat Commission
NFP	National Food Policy
NFU	National Farmers Union
NAFTA	North American Free Trade Agreement
NISA	Net Income Stabilization Program
NRCC	National Research Council of Canada
NSFC	Northeast Saskatchewan Food Charter
NTSP	National Tripartite Stabilization Program
OECD	Organization for Economic Co-operation and Development
OWPMB	Ontario Wheat Producers Market Board
PAFC	Prince Albert Food Charter
PC	Progressive Conservative Party
PFAA	Prairie Farm Assistance Act
PFPP	Peoples Food Policy Project
PFRA	Prairie Farm Rehabilitation Act
PFSN	People's Food Sovereignty Network
PFSS	People's Food Sovereignty Statement
PPO	Producer Payments Option
PRO	Pool Return Outlook
RNFI	Realized Net Farm Income
RP	Reform Party
SARM	Saskatchewan Association of Rural Municipalities
SCG	Special Canadian Grain Program
SFA	Saskatchewan Federation of Agriculture
SFE	Sustainable Food Edmonton
SP	Saskatchewan Party
SSGA	Saskatchewan Stock Growers Association
STE	State Trading Enterprise
SWP	Saskatchewan Wheat Pool
TFC	Toronto Food Charter
TNC	Transnational Corporation
TPP	Trans-Pacific Partnership Trade Group
TPW	Two Price Wheat
VFC	Vancouver Food Charter
VFS	Vancouver Food Strategy
VFPC	Vancouver Food Policy Council
WBGA	Western Barley Growers Association
WCM	Winter Cereals Manitoba
WCWGA	Western Canadian Wheat Growers Association
WFPWG	Winnipeg Food Policy Working Group
WGE	Winnipeg Grain Exchange

WGMP	Western Grain Marketing Panel
WGRI	Western Grain Research Institute
WGSA	Western Grain Stabilization Act
WGSP	Western Grain Stabilization Program
WGTP	Western Grains Transition Payments Program
WGTA	Western Grain Transportation Act
WGTAf	Western Grain Transportation Adjustment Fund
WGTPP	Western Grains Transition Payments Program
WRAP	Wild Rose Agricultural Producers
WTO	World Trade Organization

## **Chapter 1**

### **Introduction**

Canadian prairie farmers have endured a variety of challenges and hardships that have threatened their ability to remain on the land, from the very beginning. Each period of hardship has been described as a ‘farm crisis,’ in popular conversation, in news reporting, and in the academic literature. The term ‘farm crisis’ typically refers to economic hardship caused by crop failure and/or the inability to realize adequate returns from the marketplace for farm products. The consequences of farm crises included psychological stresses, resulting in family breakdown and/or suicide. They have also led to social dislocations, notably rural depopulation, and the increasing separation (i.e. space) of consumers from their food.

The most visible causes of farm crises have been crop failures, resulting from the harsh climate characteristic of the Canadian prairie region. Frequent bouts of drought, insects, and disease have periodically threatened the viability of crops throughout the history of farming in the region. Particularly cruel has been the way that grasshoppers thrived during dry periods, and brought an end to whatever faint hope a farmer might have had in their absence. The most notable drought took place during the Great Depression of the 1930s, also known as the ‘dirty thirties’ due to the prevalence of blowing topsoil. Farmers described hearing the crush of grasshoppers beneath their feet as they walked on roads or pathways. Periods of extreme drought also developed during the late 20<sup>th</sup> century period that is the focus of this study. In the late 1980s, prairie farmers experienced complete crop failures in what many older farmers described as the worst conditions that they had seen since the 1930s. Extreme dry conditions returned

again in the late 1990s, and continued into the early years of the new century. Each of these periods of drought spurred calls for emergency assistance for prairie farmers. As will be shown, frequent calls for emergency assistance became a recurrent feature of Canadian agriculture policy, serving to shape its ad hoc, or ‘crisis management,’ character. However, despite the frequent provision of government assistance, each of these droughts forced farmers off of the land and led to the demise of rural communities.

Another factor in the economic hardship faced by prairie farmers has been their chronic inability to capture adequate incomes from the market. Low and unstable commodity prices were a problem farmers faced on an ongoing basis. One cause of low prices was the cyclical income needed to survive over the winter. As a result, grain prices tended to drop in the fall. Making matters worse was the fact that grain futures speculators – better capitalized than farmers, and able to wait for a return on their investment - were able to profit at the expense of farmers on the Winnipeg Grain Exchange. In addition, prairie farmers have historically relied heavily on export wheat production for their cash incomes. With wheat being one of the few crops suited to prairie conditions, as well as the low population density of Canada, the vast majority of Canadian wheat has always been exported to customers in the international marketplace. Therefore, Canadian farmers have received the international price, which was highly unstable, due to conditions in the other regions of the world where wheat is grown.

To this uncertainty was added the expenses that farmers faced for the handling and transportation of their grain, and a farmer’s vulnerability to what a railway charged and how his grain was valued by the grain trading companies that dealt with foreign buyers. Export production required railway transportation from the landlocked prairie region over an average distance of 1600 kilometers to port, and required farmers to

deliver to a country elevator, where their grain was sorted by quality, cleaned, and loaded into railway cars. Farmers soon realized that they were being charged exorbitant prices for the handling and transportation of their grain. However, they also recognized that they were at the mercy of these early grain companies and railway operators, because they needed them if their grain was going to get to market. In an effort to address the disparity in market power that they faced, it will be seen that from the earliest decades of farming in the Canadian west, farmers pressured the federal government to implement regulations that governed freight rates (Crow Rate) and grain handling (Canadian Grain Commission). Later, they also pressured the federal government to create a collective marketing board, the Canadian Wheat Board (CWB), which sold Canadian grain abroad in a manner that delivered greater price stability for prairie farmers.

Nonetheless, despite the achievements of farmers in establishing collective institutions like the CWB and the provincial Wheat Pools, and despite a succession of different farm subsidy programs initiated by federal and provincial governments, it will be seen that crises in farm income continued to occur in the post-war period. Farming on the Canadian prairie continued to be subject to severe fluctuations in the weather (some years too dry, others too wet), or to outbreaks of pests or disease, all of which produced crop failures in some parts of the region, in different years. Whatever their cause, these crop failures typically left many farmers unable to make payments on their homes or equipment, and unable to afford to plant the following year. Inevitably, this led to calls for 'emergency' government assistance to farmers, who would otherwise lose their farms to the banks, and in the middle years of the 20<sup>th</sup> century, when many Canadians were still tied in some way to the rural economy and the House of Commons was still dominated by rural MPs, such calls were repeatedly answered, and a variety of aid packages offered.

Despite a succession of emergency assistance programs, however, farming was changing steadily over the latter half of the 20<sup>th</sup> century, and many farmers continued to find it difficult to make a living, for reasons that were different than the ‘natural’ causes outlined above. The 1960s saw the emergence of new technologies that promised to make farming more efficient, and in principle, more stable and profitable. Farmers had historically been self-reliant with respect to the main inputs required for farming: producing their own seeds, fertilizer (manure), horsepower (livestock), and livestock fuel (feed crops), all at little or no cash cost. However, technological advancements made during World War II, ushered in a new era known as the ‘green revolution.’ This involved the introduction of chemical applications (e.g. herbicides, fungicides, and pesticides), synthetic fertilizers, as well as new and more sophisticated forms of mechanization. These technologies promised to bring prosperity to farmers by enabling them to increase production.

These technological advancements, however, also brought forth a new dynamic known as the ‘cost-price squeeze.’ In effect, even though new farm technologies enable a farmer to produce more grain or meat, the increased costs of production – including the costs of servicing debts incurred to purchase expensive farm machinery - may mean that he/she makes little real income, or no income at all. Indeed, farming was becoming more and more business-like, as opposed to the way of life in which many ‘family’ farmers had been raised. The ‘business model,’ moreover, was one in which more and more capital was required, and one in which profit margins per acre were small, leading to pressures to buy more land and take on more debt. All of this made it increasingly difficult for smaller farmers to stay in the business, without significant off-farm income, either their



own (e.g. working in the oil sector during the off-season) or that of other family members.

In these circumstances, the wheat-growing regions of the Canadian west experienced significant rural depopulation over the decades between 1960-1990<sup>1</sup> (as shown in Figures K.1 to K.3), a process that began with the decisions of individual farm families to give up farming. This was sometimes the result of a crisis – a crop failure, a death or disabling illness, a foreclosure. However, it was also sometimes the result of a conscious decision on the part of family members, often young adults who had gone to university or college, to opt for another career in which income was more promising and stable, and financial ruin not an ever-present risk. As more farms went out of business - their land typically taken over and incorporated into larger (sometimes corporate) operations – average farm sizes became markedly larger. However, the rural population became smaller, and the numbers supporting local businesses, local medical and dental practices, and – crucially - local schools and hospitals, often dwindled below the levels at which business owners and provincial governments could keep these services operating.<sup>2</sup> Over the course of the 1980s and 1990s, smaller rural communities lost many of the businesses and the public services that are almost essential to community life, and a sense of crisis pervaded the larger farming ‘community.’

Yet it remains important to ask what is meant when the term ‘farm crisis’ is used? It is used in reference simply, or primarily, to a crisis in farm incomes, a crisis that is

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<sup>1</sup> According to the *Census of Agriculture*, farm numbers in Canada fell from 480,877 in 1961 to 280,043 in 1991. “Selected Agricultural Data, Number and Area of Farms, Census Years 1921 to 2006,” Statistics Canada, 2006, accessed July 9, 2012, <http://www.statcan.gc.ca/pub/95-632-x/2007000/t/4185570-eng.htm>.

<sup>2</sup> Philip Hansen and Alicija Muszinski, “Crisis in Rural Life and Crisis in Thinking: Directions In Critical Research,” *Canadian Review of Sociology & Anthropology* 27, no. 1 (1990): 1-22.

explainable – broadly, at least – in terms of the dynamics outlined above? If so, are the causes of farm income crises, whether ‘natural’ or market-based, causes that can be addressed by better government policies: by more generous (or better targeted) farm subsidy programs, by more judicious regulations, or more consistent enforcement? Or should the frequency with which farm income crises seem to recur encourage the thought that the problems are more fundamental? That the ‘business model’ that was the backbone of Canadian farming through the first half of the 20<sup>th</sup> century is broken, and needs to be rethought or replaced? That farming can no longer support as many people as it once did in the prairie regions, and that the generations of young people who have enjoyed the educational opportunities made possible by their parents’ collective labours are graduating into a world in which farming is no longer an attractive career option? The word ‘crisis’ suggests times of great, even unusual, difficulties, and it is true that on the not infrequent occasions that prairie farmers in some numbers have been faced with bankruptcy as a result of either climatic or market-induced failures, the difficulties have been sufficiently great that the need for government assistance has seemed obvious to many voters, even outside the farming sector.

However, it will also be part of the story that in the latter half of the 20<sup>th</sup> century, as farm crisis followed farm crisis with depressing frequency, governments, urban voters (who made up an increasing proportion of the electorate as the century wore on) and some academics started to question whether farm subsidy programs achieved anything but a very short term fix. Emergency assistance was intended to enable farmers to stay on the land (or to avoid losing their land) until conditions improved sufficiently that they could operate at a profit. Yet demands for farm subsidy persisted with a regularity that led critics to conclude that the problems in the farm economy were not emergencies or

crises, in the sense of being exceptional their occurrence; on the contrary, they were endemic in nature.<sup>3</sup> Likewise, a Royal Bank vice president who had been involved with loans to the agriculture sector argued in 1999 that the real problem with Canada's farm sector was that only 20% of farmers – all big, technologically savvy, and well-capitalized operators – were responsible for 80% of Canada's farm production.<sup>4</sup> It was the unproductive majority, meanwhile – the smaller farmers who could not compete in an environment of agribusiness consolidation - who were constantly asking for government assistance; and in Murphy's view, Canada's policy challenge was to offer incentives designed to get these people off the land, and into more productive occupations.

This critique of farm subsidy was consistent with the neoliberal thinking that became orthodoxy in both government and academic circles in the 1980s and 1990s, as will be discussed at some length in later chapters. It will be noted at this point, however, that neoliberalism represented a very significant change in the direction of government policy. Its 'solution' to the chronic unprofitability of many Canadian farms, and to the apparent ineffectiveness of farm subsidy programs to date, was to drastically curtail the latter and let market forces inform farmers' decisions. Thus, a broad campaign against collectivist policies, institutions, and ideas, was carried out by neoliberal interests (i.e.

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<sup>3</sup> See, for example, articles in *Agricultural Policy Reform in the United States*, edited by Daniel A. Sumner, ed., AEI Studies in Agricultural Policy (Washington D.C.: The AEI Press, 1995); Luther Tweeten, "Farm Commodity Programs: Essential Safety Net or Corporate Welfare?," in *Agricultural Policy for the 21<sup>st</sup> Century*, ed. Luther Tweeten and Stanley R. Thompson (Ames: Iowa State Press, 2002), 1-34; Willard W. Cochrane and C. Ford Runge, *Reforming Farm Policy: Toward A National Agenda*, (Ames: Iowa State University Press, 1992); Alan Swinbank and Carolyn Tanner, *Farm Policy and Trade Conflict: Uruguay Round and CAP Reform*, (Ann Arbor: University of Michigan Press, 1996); David Orden, Robert Paarlberg, and Terry Roe, *Policy Reform In American Agriculture*, (Chicago: University of Chicago Press, 1999).

<sup>4</sup> John J. Murphy, "From North of the Border," *Journal of Lending and Credit Management*, (December 1999/January 2000): 36, quoted in Roger Epp and Dave Whitson, "Introduction: Writing Off Rural Communities?," in *Writing Off the Rural West: Globalization, Governments, and the Transformation of Rural Communities*, ed. Roger Epp and Dave Whitson (Edmonton: University of Alberta Press, 2001), xxxii.

governments, agribusiness and industry organizations, think tanks), in order to bring about neoliberal policy reforms. There were many casualties of this campaign, including the Crow Rate, the Wheat Pools, and most recently the Canadian Wheat Board's single desk. Alongside these reforms, we have seen the gradual weakening of the presence and strength of the collectivist farm voice within the western Canadian farm community. Indeed, this is viewed as a crisis in and of itself, for all those who identify with the collectivist tradition in Canadian agriculture, and the central chapters of this dissertation document the systematic undermining - by neoliberal governments and farm interests - of the collective institutions and collectivist policy initiatives that had structured wheat farming in western Canada from the Depression years until the 1990s.

However, it will also be noted that 'crisis' carries another meaning, in which the point at which difficulties become so great as to demand action is also understood as a turning point, or a decisive juncture, leading to old problems being seen through a fresh prism.<sup>5</sup> Neoliberalism offered one such prism, and in the 1980s it was a popular one, for reasons to be explored in a later chapter. However, with respect to agriculture, in particular, the farm 'crisis' of the 1990s also served as an opportunity for some thinkers and activists to connect the unprofitability of the dominant model of farming (a.k.a. 'the farm income crisis') with gathering problems in the food system, and to connect both with the industrial food production system, a system dominated by an increasingly small number of global corporations.<sup>6</sup>

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<sup>5</sup> *Canadian Oxford Dictionary*. 2nd ed., s.v. 'crisis.'

<sup>6</sup> John Warnock, *Profit Hungry: The Food Industry in Canada* (Vancouver: New Star Books, 1978); Harriet Friedman, "The Political Economy of Food: A Global Crisis", in *New Left Review* 1, no. 197 (January-February 1993): 29-57; Harriet Friedman and Phillip McMichael, "Agriculture and the State System: Rise and Fall of National Agricultures, 1870 to the Present", *Sociologia Ruralis* 29, no. 2 (1989): 93-117; Phillip McMichael, *The Global Restructuring of Agro-Food Systems*, (Ithaca: Cornell University Press, 1994); Anthony Winson. *The Intimate Commodity: Food and the Development of the Agro-Industrial Complex in Canada*, (Toronto: Garamond Press, 1992); Tony

Indeed, the term ‘food crisis’ has become increasingly commonplace, both in the academic literature and in news reports, to describe recent problems and emergencies relating to food. These problems and emergencies have most often occurred in relation to food safety, and food related illness. Crises concerning food safety have involved both animal illness, and food infected with bacteria during the production process. Recent examples include the BSE infection (‘mad cow disease’) in the cattle sector in 2003, the H1N1 infection (‘swine flu’) in the hog sector in 2009, the listeriosis tainted meat at a Maple Leaf processing plant in Toronto in 2008, and the e-coli tainted meat from the Lakeside Packers plant in Brooks Alberta in 2012. The tainted meat situations resulted in illness and/or death among some of the people who ate it, and served to erode public confidence in the food system.<sup>7</sup> This brought hardship to farmers when production was halted and markets for Canadian food products collapsed. With respect to the farm animal illness situations, the H1N1 flu was transmitted to humans and did result in human illness and death, while the BSE crisis did not result in human illness.<sup>8</sup> However, both incidents did result in the collapse of markets, as borders were closed to hog and cattle exports, thereby bringing the farm income crisis and the food crisis together. In response to these issues, farmers called for emergency assistance from the federal

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Weis, *The Global Food Economy: The Battle for the Future of Farming*, (Winnipeg: Fernwood Publishing, 2007).

<sup>7</sup> Elisabeth Birk-Urovitz, “The 2008 Canadian Listeriosis Outbreak: A Result of Knowledge Ignored,” *McMaster University Medical Journal* 8, no. 1 (2011): 65-67, accessed March 19, 2013, [http://www.mumj.org/Issues/v8\\_2011/articles/v8\\_65.pdf](http://www.mumj.org/Issues/v8_2011/articles/v8_65.pdf); Canada, Parliament. Senate. Standing Committee on Social Affairs, Science and Technology. Canada’s Response to the 2009 H1N1 Influenza Pandemic, 3d sess., 40<sup>th</sup> Parl., December 2010, accessed on March 20, 2013, <http://www.parl.gc.ca/content/sen/committee/403/soci/rep/rep15dec10-e.pdf>; Ronald John Lewis, Andre Corriveau, and W. Ronald Osborne, *Independent Review of XL Foods Inc. Beef Recall 2012*, (Ottawa: Government of Canada, May 2013), accessed on June 8, 2013, [http://www.foodsafety.gc.ca/english/xl\\_reprt-rappрте.pdf](http://www.foodsafety.gc.ca/english/xl_reprt-rappрте.pdf).

<sup>8</sup> Ibid.

government, but critics focused on the roots of both crises in our industrialized meat production system.

Food security has been another form of ‘food crisis’, perhaps more neutrally described as an access to food issue, that has affected many impoverished Canadians as well as many more poor people in developing countries. The main cause of food insecurity is food price inflation, as the cost of food staples has risen steeply, in many countries. Recent decades have witnessed three prominent incidences of food price inflation: the late 1970s, the mid-1990s, and the late 2000s. While these periods have improved the circumstances of some farmers, the main beneficiaries have been major transnational companies, and they cause significant hardship and social unrest among the poor. For instance, the 2008 food price spike caused food riots in several developing countries.<sup>9</sup> While the impact of food insecurity was not as readily visible in Canada, there have been many reports of increased use of food banks.

The desire to tackle the issue of food security has spurred significant activity in Canadian civil society in recent years, particularly in the last decade. These activities have included the formation of grassroots organizations, from the People’s Food Commission in the late 1970s, to various Food Councils and issue-specific organizations that have sprung up in Canadian communities in last decade. They also prompted the publication of many documents that raise concerns relating to the safety and affordability of our food, and visions for a new food system. Some of these initiatives have identified the industrial food system as the core cause of both farm and food crises. The argument made is that transnational corporations possess greatly disproportionate control over the agri-food system, and have shaped it in accordance with their profit-maximizing needs.

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<sup>9</sup> Phillip McMichael, “A Food Regime Analysis of the ‘World Food Crisis,’” *Agriculture and Human Values* 26 (2009): 282.

The result has been that the distances between where food is produced and where it is eaten have increased dramatically, the highly processed and packaged food present in our grocery stores is often unhealthy by at least some standards, and both farmers and eaters are subject to stresses that compromise their well being.<sup>10</sup> Moreover, the alternative food movement (AFM) has not been alone in raising issues concerning the safety of the food system. At times, even the federal government has participated, carrying out food policy consultations in the late 1970s, and signing international agreements including the Rome Declaration on World Food Security in 1996. In addition, corporate interests have also entered the food policy debate, offering proposals and creating their own organizations devoted to food policy development. These latter initiatives, as will be seen in Chapter 8, are primarily involved in promoting market mechanisms and bio-food science in order to tackle food crisis issues.

A third form of food crisis has involved the growth of food related illness, including obesity, diabetes, heart disease, and some forms of cancer. These diseases are caused by an increasing incidence of unhealthy diets, with unhealthy levels of salty foods, sugars, and fats. This is the result of an overabundance of relatively cheap soft drinks, potato chips, and fast food. The fact that simultaneous starvation and obesity epidemics are now occurring in both developing and developed regions of the world has spurred several major studies, including one famously entitled *Stuffed and Starved*.<sup>11</sup> Many of the grassroots initiatives described in the previous paragraph also address the food related illness issue, and frame it as a food security issue. In their view, as well as that of academic critics like Patel and McMichael, not only should all citizens have the

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<sup>10</sup> Raj Patel, *Stuffed and Starved: The Hidden Battle for the World's Food System*, (Toronto: Harper Perennial, 2009).

<sup>11</sup> Ibid.

right to food, but citizens should have access to nutritious and healthy foods at affordable prices. These debates, and this grassroots activity, will be outlined in more detail in Chapter 8.

Summing up, this dissertation examines the political struggles over neoliberal reforms in the western Canadian agriculture sector over the previous thirty years, and how the ‘policy community’ surrounding farm and food issues in Canada has undergone rapid change. My thesis will be that even though previous farm assistance regimes can be judged – at best – as only limited successes, the Conservative government’s campaign to replace the Canadian Wheat Board with a liberalized market system for marketing wheat, will result in Canadian food production in being controlled by transnational corporate interests and will transform the Canadian farm (policy) community – the farm interests who are consulted by government about agricultural policy – in a correspondingly liberalized market direction. This dissertation is organized in the following way. Chapter 2 reviews the history of Canadian agricultural policy in the early and middle years of the 20<sup>th</sup> century; while Chapter 3 examines the scholarly literature on agriculture policy and later, food policy. Chapter 4 examines farm subsidy policy in the prairie region from the 1987-1997 period, when the Progressive Conservative and Liberal federal governments each undertook their own versions of reform. During this period, farm subsidy programs were redesigned in accordance with WTO rules, export subsidies were terminated, and farm-related expenditures were reduced. Chapter 5 examines farm subsidy policy in the prairie region in the 1998-2011 period, when both Liberal and Conservative governments struggled to cope with the farm income crisis that worsened during this period, farm subsidy policy returned to its ‘emergency management character,’ and farm expenditures escalated again. Chapter 6 examines the political battle



over the future of the Canadian Wheat Board in the 1989-2006 period. It traces how neoliberal policy reforms had destabilized the CWB's support within the prairie farm community, making the CWB's 'single-desk' more vulnerable to political attack. Chapter 7 analyzes how the political struggle over the CWB came to a head, after the Conservative Party came to power in 2006. It outlines the actions of the first Canadian government committed to terminating the single desk, and the response of its opponents. It demonstrates how the Conservative government was able to terminate the single desk not only because of its majority in Parliament, but also because the CWB's support within the farm community had weakened, as outlined in Chapter 6. Chapter 8 examines the post-single desk changes in the western Canadian agriculture sector, changes which include the development of provincial wheat and barley commissions and the simultaneous marginalization of the collective farm organizations. It then surveys the rapidly growing alternative food movement, which promises to be the most energetic form of opposition to these changes, and the development of a new policy frontier, which involves a race to define the objectives of a new national food policy. Finally, Chapter 9 summarizes what this author believes this study has accomplished, and offer some concluding thoughts on the challenges facing Canadian prairie agriculture.

## Chapter 2

### History of Prairie Agriculture

#### 2.1. Introduction

The following chapter traces the political history of prairie agriculture, in order to establish the historical context for the chapters that follow. As noted in the previous chapter, from the beginning farmers on the Canadian prairie had to contend with the threats posed by extreme natural hazards (e.g. drought, disease, and pests). To these were added the volatility of grain markets and the vulnerability of individual farmers in their dealings with the powerful grain companies, railway barons, and Winnipeg Grain Exchange. The federal government initially intervened on behalf of farmers prior to the 1950s in order to address national objectives (i.e. national building and war efforts) political strength, due to their strength in numbers, relative proximity to one another, relatively homogenous political culture, and the power of the institutions that they built (e.g. Wheat Pools). Thus, it was relatively easy to identify common enemies (e.g. the railway barons and grain companies), and to organize. Several farm groups (e.g. Territorial Grain Growers, United Farmers, and Farmers Unions) and political parties (e.g. United Farmers of Alberta, United Farmers of Manitoba, Canadian Commonwealth Federation, and Progressive Party) were created to defend the interests of farmers. The mechanisms designed to assist farmers introduced by the federal government included regulations pertaining to the sale and handling of grain (e.g. Canada Grain Act), railway transportation subsidies (e.g. Crow Rate), grain marketing (e.g. Canadian Wheat Board), and subsidy and price support programs (e.g. Feed Grain Freight Assistance and

Agricultural Prices Support Board). These measures were built up and made permanent in the post-war period, in response to the pressure from farmers and to address the federal government's desire to have farmers improve their productive capacity and efficiency (i.e. increase their yield per acre, while decreasing their costs per acre).

The post-war period also saw many prairie farmers adopt new technological advancements (e.g. tractors, synthetic fertilizers, herbicides and pesticides), which led to a 'technology treadmill' that sent some farmers on a relentless drive to enlarge their farm operations. The technology treadmill resulted in the emergence of a division between farmers who raced to adopt the new technologies and expand, and those who did not and formed a class of small farmers. The division among farmers was exacerbated by the emergence of new commodity-specific farm groups (e.g. Alberta Cattle Commission and Alberta Barely Commission) that took a decidedly free market approach to agricultural policy issues, and opposed cooperativist policy instruments such as the Crow Rate and CWB. The development of these groups was encouraged and financed by the Alberta government, which joined the railways in pressuring the federal government to reform the Crow Rate in 1983. The post-war period also saw the emergence of province-building efforts designed to take advantage of provincial jurisdiction over natural resources, particularly in the 1970s. In agriculture, provincial activism often included the introduction of provincial farm subsidy programs, in order to advantage their own farmers and to capture market share for certain commodities. By the 1980s, the federal government had become concerned about the distortions that these programs were causing in Canada's agriculture sector. At this point the federal government also chose to undertake neoliberal reforms, such as establishing trade agreements and attempting to

bring the provision of farm subsidies under control. The details of these developments are discussed below.

## **2.2. 1890-1945: The Political Power of Farmers & the National Interest**

Ever since the first decades after Confederation, farmers have had to contend with the overwhelming control of the economy of food production by class interests opposed to their own. These interests included grain handlers, grain traders, railroad barons, bankers, and merchants (including input suppliers, food processors, and food retailers). Farmers had to organize among themselves in order to create farm groups, cooperatives, and even political parties, in order to improve their bargaining position vis-à-vis these commercial interests. In the first decades of the previous century, farmers succeeded in persuading the federal government to implement a variety of policies and programs that gave them some protection against the disadvantages they faced in the marketplace. During these years the federal government was usually quick to respond to farmers' grievances, especially when doing so served its broader nation-building objectives.

### ***2.2.1. The Political Unity of Farmers***

In his classic study of Canada's national policy and wheat economy in the late 1800s to early 1900s, Vernon Fowke argues that the political power of farmers reached its zenith during the first decades of the twentieth century.<sup>12</sup> In this period farmers comprised a relatively large proportion of Canada's population. In 1931 the number of

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<sup>12</sup> Vernon Fowke, *Canadian Agricultural Policy: The Historical Pattern* (Toronto: University of Toronto Press, 1946), 248.

farmers in relation to the rest of the population was at its height, as one in three Canadians was a farmer. Moreover, 25 percent of all Canadian citizens resided in the three prairie provinces.<sup>13</sup> In Saskatchewan and Alberta, farmers' numbers were even higher, as they made up 61 percent and 51 percent of their total provincial populations respectively. Although farmers' share of the total population began to decline thereafter, farmers still made up a quarter of the country's population in 1941.<sup>14</sup> The proportion of farmers in the three prairie provinces did not drop below 60 percent until 1951, when farmers comprised 50 percent of prairie citizens.<sup>15</sup> In addition, agriculture comprised a relatively large proportion of the overall economy during these early decades. From 1910 to 1936, Canada's top export was wheat.<sup>16</sup> Moreover, in 1930 more than a quarter of all of Canada's exports consisted of wheat and flour.<sup>17</sup> Throughout the 1930s and 1940s agriculture averaged 11 percent of Canada's total GDP.<sup>18</sup> Finally, throughout these early

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<sup>13</sup> Vernon Fowke, *The National Policy and the Wheat Economy* (Toronto: University of Toronto Press, 1957), 73.

<sup>14</sup> Farmer's numbers began to fall dramatically throughout the remainder of the twentieth century, as more farmers left the land and urban areas began to grow. By the end of the 20<sup>th</sup> century, farmers' numbers had dropped dramatically. In 2006 farmers comprised just 2.2 percent of Canada's total population. By that year roughly one in every twenty Manitobans and Albertans, and one in ten Saskatchewanians, were farmers.. "Selected Agricultural Data, Number and Area of Farms, Census Years 1921 to 2006, Statistics Canada, 2006, accessed July 9, 2012, <http://www.statcan.gc.ca/pub/95-632-x/2007000/t/4185570-eng.htm>.

<sup>15</sup> In 1901, 75 percent of all citizens of the prairie provinces were farmers. By 1931 farmers made up 64 percent of the prairie population, and in 1946 farmers still comprised 51 percent of the population. In 1951 that number had dropped to 51 percent. Fowke, *The National Policy and the Wheat Economy*, 72.

<sup>16</sup> Statistics Canada, "Canada's Leading Domestic Exports, Fiscal Years 1890, 1900, 1910, 1920, 1930, and 1936," accessed July 9, 2012, [http://www65.statcan.gc.ca/acyb02/1937/acyb02\\_19370518000x-eng.htm](http://www65.statcan.gc.ca/acyb02/1937/acyb02_19370518000x-eng.htm).

<sup>17</sup> Michael Hart, *A Trading Nation* (Vancouver: University of British Columbia Press, 2002), 96.

<sup>18</sup> M.C. Urquhart and K.A.H. Buckley, *Historical Statistics of Canada* (Toronto: MacMillan, 1965), in Grace Skogstad, "Two Faces of Canadian Agriculture in a Post-Staples Economy," *Canadian Political Science Review* 1, no. 1 (June 2007): 28.

decades 90 percent of all wheat grown in Canada came from the prairie provinces.<sup>19</sup> The importance of these factors for farmers' political prospects was enhanced by the fact that, during this time period they posed a relatively unified political force.

In his analysis of agriculture policy during the early decades of the 20<sup>th</sup> century, Don Mitchell argues that the political unity of prairie farmers was a key factor in their ability to pressure the federal government to implement measures to protect them from exploitation by the grain companies and railways.<sup>20</sup> Farmers' political unity was the result of three factors. First, their farms were relatively similar in character. Each farm consisted of a homestead plot, which required the combined labour of all of the members of the farm family, and animal powered farm equipment. Each family already farmed as much land as they could possibly handle. A typical Prairie farm was engaged in both crop and livestock production, both for market and subsistence.<sup>21</sup> However, with respect to crop production, it must be emphasized that all prairie farmers were highly dependent on a single export crop – wheat – for their incomes, which left them highly vulnerable.

Mitchell also argues that the closer geographical proximity of prairie farm families and their greater reliance on one another was important in shaping their relative political union. Farmers' relatively closer proximity owed much to the Dominion Lands Act, which allowed farmers to homestead a 160 acre plot, and the location of railway shipping points within every 10 miles on branch lines.<sup>22</sup> Farm families often assisted one another with the construction of farm buildings, and helped each other during harvest and

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<sup>19</sup> Fowke, *The National Policy and the Wheat Economy*, 74.

<sup>20</sup> Don Mitchell, *The Politics of Food* (Toronto, Lorimer and Company: 1975), 12.

<sup>21</sup> Ibid.

<sup>22</sup> Ibid.

in times of hardship. In addition, farm families and other members of their rural communities often socialized with each other during holidays such as Thanksgiving and Christmas, during community events, and during the course of each week at such places as the local elevator.<sup>23</sup> All of these events were organized around the typical farm workday, which involved the entire family. Therefore, the experiences of every member of every family were similar, the community bonds were very strong, and farm families worked together in order to survive.

Given the relative uniformity of their farm operations, the daily struggles of these early Prairie farmers were relatively similar.<sup>24</sup> There were the hardships imposed by the harsh Prairie climate, including drought, hail, wind, crop disease, insects, and weeds. There were also the hardships stemming from the tremendous market power held by the railways and grain traders, which controlled the movement of their crops from grain terminals to flour mills and export terminals. These struggles included extreme wheat price fluctuations and conflict over the weight, dockage, and the grade given to a farmer's grain shipment. They also included collusion between the railways and large elevator companies, wherein the former gave preferential treatment (such as exclusive loading rights) to the latter, which compromised the viability of the many independent 'flat' warehouses that competed for farmers' grain at each collection point.<sup>25</sup> Although political agreement and co-operation were not always easy to achieve, many farmers soon realized that they shared a common set of grievances and enemies, which helped to generate a common set of political views. Mitchell argues that the "common thread of the farm

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<sup>23</sup> Ibid.

<sup>24</sup> Ibid.,13.

<sup>25</sup> Anthony Winson, *The Intimate Commodity: Food and the Development of the Agro-Industrial Complex in Canada* (Toronto, Garamond Press: 1992), 18.

movement and the individual consciousness of farmers was a strong anti-monopoly bias.”<sup>26</sup> In his classic study of the development of social democracy in Saskatchewan, Seymour Martin Lipset argues that many farmers, particularly in Saskatchewan but in Alberta also, were immigrants who had experience in the European labour movement.<sup>27</sup> Through that experience they acquired a clear class consciousness and learned how to carry out collective actions.<sup>28</sup> Moreover, the American immigrants associated with the Grange (Patrons of the Husbandry) and the transplanted farmers from Ontario and Quebec in the previous century, introduced co-operatives into the prairie region.<sup>29</sup> The result was that Prairie farmers created a host of powerful farm organizations, including cooperatives, farm lobby groups, and political parties in the first decades of the 20<sup>th</sup> century, in order to contend with the disproportionate market power of the grain companies and railways.<sup>30</sup>

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<sup>26</sup> Don Mitchell, *The Politics of Food* (Toronto, Lorimer and Company: 1975), 13.

<sup>27</sup> “Saskatchewan was settled in part by working-class immigrants during a period of rising trade-unionism, a growing world socialist movement, and an active co-operative movement in England, Germany, and Scandanavia... a considerable number of those whose discontent with social and economic conditions at home had led them to join radical parties were attracted to the new world of the frontier... this was true for the farmers who came from Europe but for many of the American and Eastern Canadian settlers as well.” Lipset points out that most North American frontier areas were once centers for agrarian radicalism. The difERENCE in the prairie region was the perpetuation of the extremely unstable agricultural economy.” Any change in the fortune of wheat, impacted everyone else in the province. S. M. Lipset, *Agrarian Socialism: The Cooperative Commonwealth Federation In Saskatchewan*, 2<sup>nd</sup> ed. (Berkeley, University of California Press: 1968), 25-26.

<sup>28</sup> Ibid.

<sup>29</sup> Ian MacPherson, *The Co-operative Movement on the Prairies, 1900-1945*, The Canadian Historical Association, Historical Booklet 33, (Ottawa, Love Printing Service Ltd: 1979): 3-4, accessed July 9, 2012, [http://www.collectionscanada.gc.ca/obj/008004/f2/H-33\\_en.pdf](http://www.collectionscanada.gc.ca/obj/008004/f2/H-33_en.pdf).

<sup>30</sup> During this period, grain marketing was the central concern of these organizations. Mitchell, *The Politics of Food*, 13.



### ***2.2.2. Farm Lobby Groups, Cooperatives, and Political Parties***

During the final decade of the 19<sup>th</sup> century and into the early decades of the 20<sup>th</sup> century farmers became politicised over issues pertaining to grain marketing.<sup>31</sup> They frequently launched protests to demand such things as state regulation of the grain handling and grading system, the nationalization of the elevator and railway system, and a public marketing board for grain. W.A. MacKintosh argues that farm leaders had come to realize that they could only achieve these ends with effective farmer organizations.<sup>32</sup> Therefore, prairie farmers established farm lobby groups such as the Territorial Grain Growers, United Farmers, and Farmers Unions. Winson notes that the federal government was always eager to please farmers during this period: “One thing is fairly clear about these early protests: the federal government was disposed to treat them seriously and to move to diffuse the situation with surprising speed.”<sup>33</sup> The federal government launched a series of Royal Commissions that confirmed farmers’ allegations against the grain companies and railways. Fowke notes that the recommendations of the 1899 and 1906 commissions were adopted more quickly and thoroughly than almost any other.<sup>34</sup> However, even after the federal government had implemented the regulations (discussed in the next section), farmers found themselves having to remain active to ensure that the regulations were enforced or improved where necessary.<sup>35</sup> As a result, a

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<sup>31</sup> *Ibid.*, 13, and W. A. Mackintosh, *Agricultural Cooperation in Western Canada* (Toronto, Ryerson Press: 1924), 5.

<sup>32</sup> *Ibid.*, 14.

<sup>33</sup> Winson, *The Intimate Commodity*, 18.

<sup>34</sup> Fowke, *Canadian Agricultural Policy*, 169.

<sup>35</sup> Winson, *The Intimate Commodity*, 20.

growing number of farmers came to believe that they would ultimately have to market their grain themselves, if they were to survive.

Prairie farmers created grain handling cooperatives in order to gain more control over their economic destinies, and ensure a level playing field among them.<sup>36</sup> Farmers recognized that the handful of private companies involved in grain handling and marketing would always be in a position to dictate terms, even with regulations in place. For instance, they continued to cheat farmers on weights and dockage every chance they had, and they had been granting preferential treatment to some farmers over others based on their location or size. The antidote, according to E.A Partridge, a farm leader from Sintaluta, Saskatchewan, was to fight ‘combination with combination.’<sup>37</sup> He repeatedly touted real power that farmers could achieve by combining to market grain and distribute the profits among themselves. In a famous quote that he had penned in a letter designed to promote his ideas, Partridge wrote:

A thousand farmers controlling ten million bushels of wheat and selling through a single accredited agent would be in a position of a single person owning ten million bushels. It is a well known fact that the owner of ten thousand bushels can make a much better bargain for his wheat than the owner of one thousand bushels. How much would this power be augmented in the other of ten million bushels?<sup>38</sup>

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<sup>36</sup> Ibid., 26.

<sup>37</sup> Ibid., 21.

<sup>38</sup> Winson cites the September 1991 edition of the Country Guide, and notes that this letter is cited in a United Grain Growers Co-operative advertisement in the magazine. Winson, *The Intimate Commodity*, 21.

To be sure, the farmer grain handling coops that emerged competed head on with the private grain companies. Between 1907 and 1917 the amount of grain handled by farmer coops increased from 3 percent to 35 percent in the prairie region.<sup>39</sup> However, farmers also came to realize that they would need to directly intervene in the political realm.

Prairie farmers created political parties in order to make changes in the institutional structures of society. Winson argues that farmers soon realized that only the state had the ability to act in the ‘public interest’ and provide alternatives to the power and control held by the grain handling, railway, and financial companies.<sup>40</sup> Farmers’ parties captured political office in Alberta in 1921 (United Farmers of Alberta), Manitoba in 1922 (United Farmers of Manitoba), and Saskatchewan in 1944 (Canadian Commonwealth Federation). At the federal level, the Progressive Party<sup>41</sup> won 38 of the 42 seats available in the Prairie provinces, and wiped out the Conservatives in the region in the process. Winson credits the Progressive Party with successfully pressuring for various initiatives that greatly benefited prairie farmers, including the reform of the tariff structure, the completion of the Hudson’s Bay Railway, combines investigation act and conflict of interest legislation, and transfers of power from the federal to provincial levels of government.<sup>42</sup> There is no doubt that these farm organizations achieved enormous success in pressuring for the establishment of a series of state assistance measures, specifically for farmers.

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<sup>39</sup> MacIntosh, *Agricultural Cooperation In Western Canada*, Appendix B.

<sup>40</sup> Winson, *The Intimate Commodity*, 25.

<sup>41</sup> The Progressive Party was a protest party that emerged from the United Farmers parties, which existed in several provinces and formed governments in Ontario, Alberta, and Manitoba.

<sup>42</sup> *Ibid.*, 37.

### ***2.2.3. Initial Federal Farm Regulations, Institutions, and Programs***

The federal government implemented several important regulations, institutions, and programs in prairie agriculture in response to pressure from farmers in the pre-World War II period. In 1912 the federal government implemented the Canada Grain Act, which consolidated the Manitoba Grain Act and the Manitoba Inspection Act, and brought forth strict regulation of the grain trade. These acts were the direct result of the 1899 and 1906 Royal Commissions discussed above.<sup>43</sup> Farmers had become convinced that the monopoly position of the grain companies and the Canadian Pacific Railway (CPR) were resulting in “lower prices, lower grades, excess dockage, and in certain cases dishonest weight” and were forcing them to load rail cars at the line elevators.<sup>44</sup> They also bemoaned the lack of physical facilities for local storage, and a lack of options for moving their grain to market. Therefore, they demanded closer supervision of the grain trade, abolition of mixing in terminal elevators, the closure of the Winnipeg Grain Exchange. The Borden Conservative government acted in response to the political agitation of farmers, which involved the ‘Siege of Ottawa’ in 1910 and helped bring about the defeat of the Laurier Liberal government in 1911 over the reciprocity issue. The new regulations gave the Canadian Grain Commission (CGC) full control of cleaning, binning, and shipping of grain from the terminals, and the power to inspect

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<sup>43</sup> The 1899 Royal Commission investigated farmers’ allegations of unfair and excessive dockage, unfair assignment of weights, and artificially lower prices. The commission recommended that government inspectors supervise the weigh scales at terminal elevators. The federal government subsequently enshrined this regulation in the Manitoba Grain Act of 1900. The 1906 Royal Commission investigated farmer’s complaints that the elevator companies were grading wheat more leniently at port terminals than at country elevators, which meant that they were underpaying farmers for their wheat upon delivery. The commission verified these allegations and recommended some fifty amendments to the Manitoba Grain Act. The result was the Canada Grain Act. Fowke, *Canadian Agricultural Policy*, 244-250, and Fowke, *The National Policy and the Wheat Economy*, 153-173.

<sup>44</sup> Fowke, *Canadian Agricultural Policy*, 244.

terminal records and receipts. These measures protected farmers from the arbitrary power of the railway and grain companies to charge farmers higher freight rates and dockage, and to grade their grain lower than it actually deserved. The federal government thus recognized farmer complaints as legitimate, and in doing so, ensured that farming on the Canadian prairies would continue to be attractive for new settlers.

The federal government also introduced the Crow Rate in 1922.<sup>45</sup> The MacKenzie-King Liberal government had implemented the Railway Act that year, in response to the vigorous agitation carried out by farm groups ever since the original Crow Rate agreement was terminated under the War Measures Act in 1918. The original Crow Rate agreement was made in 1897, when the federal government and the CPR wanted to complete a route through the Crow's Nest Pass and across the promising Kootenay Valley mining region. The Crow Rate was a subsidy and rate control agreement, whereby the CPR agreed 'in perpetuity' to lower freight rates on grain and flour in return for a \$3 million subsidy and land grants to construct a railway through the Crow's Nest Pass from Lethbridge, Alberta to Nelson, British Columbia. The Railway Act fixed the Crow Rate at its 1897 level, and applied it to grain, flour, flaxseed products, and rapeseed products for all railway transport from the prairies to export terminals through the ports at Thunder Bay, Churchill, Vancouver, and Prince Rupert. Ottawa justified its actions by stating that the Crow Rate was necessary to ensure the continued development of the

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<sup>45</sup> The Crow Rate has been viewed by scholars as protectionist because in providing Western Canadian farmers with below-market freight rates 'in perpetuity,' it provided a powerful incentive for farmers to ship their grain to port on the CPR, and discouraged the development of other (i.e., North-South) transportation alternatives.

western grain economy, which was viewed as an essential part of the Canadian nation-building project.<sup>46</sup>

A third instrument introduced in this period was the Canadian Wheat Board (CWB). The CWB originated with the establishment of the Board of Grain Supervisors (BGS) by the Union government of Sir Robert Borden in June 1917.<sup>47</sup> The BGS was a temporary federal government agency that guaranteed grain prices to farmers for both the 1917 and 1918 crops, during World War I. The objective was to increase grain production for the war effort. At the war's end, grain prices went into free fall, upon the reopening of the Winnipeg Grain Exchange (WGE). Farmers immediately expressed their renewed displeasure with the WGE, and asked the federal government to intervene. They were convinced that the Exchange system was detrimental to their interests, and had to be ended.<sup>48</sup> As Fowke puts it, farmers realized that "the price received by the producer for his grain when disposed of through open market channels is largely at the mercy of the speculator and speculative activity."<sup>49</sup> Ottawa responded by using the War Measures Act to halt open trading on the WGE, and to introduce the CWB in late July 1919. The CWB was designed to serve as the sole selling agency for the 1919 crop, and provided farmers with initial, interim, and final payments for their deliveries. Despite the widespread support among Prairie farmers for the CWB, the federal government discontinued it once again in 1920. Ottawa argued that the wartime instability had ceased, the CWB only been intended as a temporary measure, and the laissez-faire

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<sup>46</sup> Howard Darling, *The Politics of Freight Rates* (Toronto, McClelland and Stewart: 1980), 60. Quoted in Grace Skogstad, *Internationalization and Canadian Agriculture* (Toronto, University of Toronto Press: 2008), 46.

<sup>47</sup> Fowke, *National Policy and the Wheat Economy*, 169 and 177.

<sup>48</sup> *Ibid.*, 177.

<sup>49</sup> *Ibid.*, 186.

market should be left to function on its own.<sup>50</sup> As in the past, when farmers made their fall deliveries that year, grain prices plummeted. The price for wheat for the Saskatchewan farmer had dropped from \$1.50 per bushel in 1920, to just 76 cents in 1921.<sup>51</sup>

The early 1920s saw the unfolding of a post-war depression, which led to chronically low grain prices. The early versions of the CWB had convinced farmers of the benefits of pooling their wheat. They appreciated the fact they received the same, stable grain prices, while not having to worry about rushing to market before fall deliveries sent prices downward. As a result, they began to demand that the CWB reinstated throughout the 1920s. However, farmers' dreams went unrealized. Failure to reinstate the CWB led to attempts by farm groups to establish voluntary cooperative systems, independently in each province.<sup>52</sup> In 1923 the Alberta Co-operative Wheat Producers Limited and the Saskatchewan Co-operative Wheat Producers Limited were established, while the Manitoba Co-operative Wheat Producers Limited was established in 1924. The three Prairie Pools established the Canadian Co-operative Wheat Producers Limited (known as the 'Central Selling Agency') in order to bypass the WGE and sell farmers' wheat through a network of overseas sales offices.<sup>53</sup> Fowke argues that the prairie Wheat Pools were, at their core, "an effective expression of the farmers'

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<sup>50</sup> Fowke points out that in the 1920s, Ottawa held steadfast to the view that the central tenets of the National Policy rested on the unfettered operation of the free market. *Ibid.*, 191-195.

<sup>51</sup> S.M. Lipset, *Agrarian Socialism*, 57.

<sup>52</sup> Fowke, *National Policy and the Wheat Economy*, 196-198.

<sup>53</sup> *Ibid.*, 219-242.

dissatisfaction with their place in the price system.”<sup>54</sup> They constituted a significant step in the evolution of farmers’ efforts to take control of their economic destinies.

As the wheat pools struggled to get their feet beneath them, they took up the fight to get the federal government to reinstate the CWB. The Bennett government, which was predisposed to take the laissez-faire approach, resisted even as the Great Depression unfolded.<sup>55</sup> Instead, it attempted to prop up grain prices by purchasing futures. Before long, however, the Bennett government discovered that it had unintentionally become the sole owner of almost all of Canada’s remaining wheat. As a result, the man in charge of the federal government’s efforts, John MacFarland (who served as head of the Central Selling Agency from 1930-35), had become convinced that the futures market was no longer functioning properly and that government intervention was necessary.<sup>56</sup> In response, the federal government established a Royal Commission on Price Spreads in 1934. At the same time, major segments of the grain trade and handling sector had become convinced that the private market was completely collapsing, and also began calling for government intervention. The Bennett government, with an election on the horizon, finally relented in 1935 and reestablished the CWB.<sup>57</sup> The reinstatement of the CWB was the result a unique coalescing of views among farmers, certain segments of the private grain trade, and the key members of the Bennett government, that intervention was necessary.

The new version of the CWB, however, did not possess the monopoly power held by its predecessors, nor did it cover all grains. The WGE and elevator companies, some

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<sup>54</sup> Ibid., 204.

<sup>55</sup> Ibid., 260-263.

<sup>56</sup> Winson, *The Intimate Commodity*, 71.

<sup>57</sup> Fowke, *National Policy and the Wheat Economy*, 263.



of which had joined in the call for government intervention, successfully lobbied for the removal of all of the compulsory components of the final legislation.<sup>58</sup> They were against the CWB obtaining too much market power. Therefore, farmers had the choice of either taking the minimum price offered by the CWB, or selling through the WGE. Two years later, in 1937, the Royal Commission finally tabled its report, which stated that there existed an alarming degree of concentration in important industries relating to agriculture and that the farm sector was being negatively impacted as a result.<sup>59</sup> Even so, the MacKenzie-King Liberal government was determined to rid itself of responsibility for grain marketing.<sup>60</sup> Fowke argues that Ottawa was not at all concerned with the disparities in bargaining power that resulted from monopolies.<sup>61</sup> It began by dropping the CWB's floor price for wheat to a level that would ensure it would not attract much business from farmers. However, after the move ignited massive protest from prairie farmers, Ottawa backed off and increased the floor price to 70 cents (farmers had been calling for a floor price of 80 cents) and abandoned its plans to end the CWB.<sup>62</sup> While farmers were able to

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<sup>58</sup> Winson, *The Intimate Commodity*, 71-71. The original bill submitted to Parliament actually proposed to establish a grain board with far reaching powers and responsibilities; it was to be a much more comprehensive entity than ever came into existence. Fowke, *National Policy and the Wheat Economy*, 264-265.

<sup>59</sup> Winson, *The Intimate Commodity*, 68.

<sup>60</sup> MacKenzie-King's reluctance to engage in government intervention in grain marketing stemmed from his laissez-faire ideological orientation: "MacKenzie-King is a liberal in the British tradition. He prefers to leave business men to run their affairs, though it may occasionally be necessary for government to intervene as a mediator or to protect the interests of defenseless groups. The growth of large-scale enterprises should be encouraged, he believes, and amalgamation of business units is in most cases beneficial. Monopolies and trade agreements must carefully be watched, however, to see that they do not abuse their economic power. Mr. King believes strongly in the preventative value of publicity and considers that the possibility of investigation will do more to deter potential wrong-doers than any amount of criminal investigation. His speeches in Parliament on the two Combines acts are able expositions of these beliefs." Lloyd G. Reynolds, *The Control of Competition in Canada* (Cambridge, Mass.: Harvard University Press, 1940): 169, in Fowke: 96-97.

<sup>61</sup> Fowke, *National Policy and the Wheat Economy*, 97.

<sup>62</sup> Winson, *The Intimate Commodity*, 73-74.

apply a high degree of pressure in order to secure the permanency of the CWB, it took the additional factor of serving the national interest to bring about the reincarnation of its single desk powers.

The CWB's single desk powers were finally reinstated in 1943 by MacKenzie-King's Liberal wartime administration. Fowke emphasizes that the federal government was only motivated to take this step when it recognized that the CWB could serve national objectives: in this case ensure an adequate supply of foodstuffs for Wartime allies.<sup>63</sup> The prospect of large government sales to European allies, sent futures prices skyrocketing. The federal government suspended the WGE on September 27, 1943, imposed price controls on food, and granted the CWB a monopoly jurisdiction over wheat marketing in Canada. The CWB's monopoly was soon extended to other course grains, including oats, barley, flax, rye, and corn, for the duration of the war. At the war's conclusion, the federal government extended the CWB's monopoly indefinitely, in order to maintain the supply of grains and in response to pressure from farmers. In 1949 the federal government extended the CWB's authority to oats and barley, when farm groups raised concerns about fluctuating feed prices. In addition, the amendment to the Canadian Wheat Board Act included the provision that it be renewed every five years henceforth. In 1966 the federal government removed the five-year renewal clause. In summarizing the campaign against the CWB launched by the private grain trade, Fowke stated: "Although the private grain trade interests have supported a persistent campaign of publicity to inform the public of the merits of the open market system, the wheat producer has remained singularly unimpressed and has succeeded in preventing the

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<sup>63</sup> Fowke, *National Policy and the Wheat Economy*, 275-276.

government from regarding the restoration of the open market as a matter of practical politics.”<sup>64</sup> This was the view held by the vast majority of prairie farmers until the 1990s.

Farm subsidy programs were the final instruments introduced by the federal government in the first half of the twentieth century. These programs were intended to address national objectives, including preventing domestic price inflation and providing allies with necessary food supplies, and to address the income problems of farmers. During the Great Depression two programs, in particular, were implemented specifically to assist the livelihoods of farmers. The Prairie Farm Rehabilitation Act (PFRA) was introduced in 1935, in order to provide assistance for the rehabilitation of lands affected by the drought.<sup>65</sup> The PFRA provided funding to assist in the rehabilitation of areas affected by drought and soil drifting, develop farm water supplies, provide community pastures, and assist in the resettlement of some farmers to more arable areas.<sup>66</sup> Four years later, in 1939, the federal government implemented the Prairie Farm Assistance Act (PFAA), which provided minimum acreage payments to farmers when they suffered a crop failure. Under the PFAA a levy was charged on the sale of wheat, barley, oats and rye in the prairie provinces, and placed into an account to be used in the event of crop failures. When a farmer suffered a crop failure he/she received a payment not exceeding \$2.50 per acre on one half of his/her cultivated cropland, up to a total of \$500 per year.<sup>67</sup>

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<sup>64</sup> Ibid., 276.

<sup>65</sup> Grace Skogstad, *The Politics of Agricultural Policy Making in Canada* (Toronto: University of Toronto Press, 1987), 43; *Prairie Farm Rehabilitation Act*, R.S.C., 1985, c. P-17, accessed August 9, 2012, <http://laws-lois.justice.gc.ca/eng/acts/P%2D17/page-1.html>.

<sup>66</sup> “Agriculture and Food Policy,” *The Canadian Encyclopedia*, Historica Dominion Institute, accessed on August 9, 2012, <http://www.thecanadianencyclopedia.com/articles/agriculture-and-food-policy>.

<sup>67</sup> Fowke, *The National Policy and the Wheat Economy*, 295; Skogstad, *The Politics of Agricultural Policy Making in Canada*, 43.

The unique circumstances of the period assured that these would not be the final farm subsidy measures introduced.

During World War II, the federal government implemented three new programs. The Feed Grain Freight Assistance (FGAP) program was implemented in 1941, in order to encourage increased livestock production. The FGAP subsidized the movement and storage of Prairie grown feed grains to eastern Canada and British Columbia. Second, in 1944, the federal government introduced the Farm Improvement Loans Act (FILA). The FILA was designed to make short term and long-term loans readily available to farmers for the purposes of improving their farm operations.<sup>68</sup> Finally, that same year, the federal government introduced the Agricultural Prices Support Act (APSA), which established an Agricultural Prices Support Board (APSB). The APSB was designed to provide base prices – which set a floor and a ceiling price - for eleven farm commodities other than wheat, in order to meet the twin national objectives of increasing production and containing domestic price inflation. When the price for a program commodity fell below its predetermined base price, the government either purchased that commodity from the farmer at the base price or provided a payment to the farmer in order to make up the difference between the market price and the base price.<sup>69</sup> On the other hand, when price ceilings prevented farmers from realizing the full market value of their production, they complained that the federal government was interfering with the supply and demand dynamic in the marketplace.<sup>70</sup> The APSB was evidence that the federal government was

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<sup>68</sup> *Farm Improvement Loans Act*, R.S.C. 1985, c. F-3, accessed on August 9, 2012, <http://laws-lois.justice.gc.ca/eng/acts/F-3/page-1.html>.

<sup>69</sup> Fowke, *The National Policy and the Wheat Economy*, 294.

<sup>70</sup> *Ibid.*

not yet prepared to make the problem of farm income, a priority over-and-above national objectives.

### **2.3. 1945-1985: Growth of Farm Assistance Measures in Prairie Agriculture**

Throughout the four-decade period following the end of World War II the main objectives of the federal government in the area of agriculture policy shifted toward two new areas. First, the federal government sought to increase the productive capacity and efficiency of farmers, in order to create a vibrant and modern agriculture sector; a sector that would produce tax revenues, as opposed to one that required continuing subsidies. One type of mechanism employed by the federal government was investment in research in order to create new varieties of crops and livestock, that could offer prospects for higher yields and/or less risk (of disease, for example, or vulnerability to pests or weather conditions). The research was also aimed at developing new technologies including machinery, chemicals, and fertilizers. Secondly, the federal government sought to protect the financial well being of the farmer, through farm income protection measures that were intended to rise and stabilize commodity prices and farm incomes. The other type of financial mechanism employed was subsidized credit, in order to encourage farmers to adopt larger machinery, the latest technologies, and more land. Finally, the fact the federal government continued to expand the CWB and price support mechanisms into the post-war era, signalled its recognition of the farmer's inherent disadvantage within the agricultural marketplace. By end of this era, the combined result of these initiatives was that a multi-dimensional structure of state assistance had been constructed in Canadian agriculture (the State Assistance Paradigm, defined in the next chapter). Federal

assistance programs had become part of the standard ‘business model’ of farming in Canada; conversely, assistance to farmers had become a standard – and steadily growing – budget line for successive Canadian governments.

### ***2.3.1. Politics, Lobbying, and the Expansion of Farm Assistance Measures***

During the late 1950s the Diefenbaker Progressive Conservative government (1957-63) introduced a series of measures designed to improve the productive efficiency of farmers and protect their incomes. The Diefenbaker government was particularly sensitive to the interests of farmers, given that prairie farmers comprised a large portion of its political base of support.<sup>71</sup> In 1959 it implemented the Farm Credit Act, which established the Farm Credit Corporation (FCC).<sup>72</sup> FCC provided farmers with medium and long-term loans, which were designed to encourage them to expand and modernize their farming operations. The Diefenbaker government invested significantly in the research program of the Department of Agriculture, which was aimed at developing new crop and livestock varieties and new production technologies in order to create a modern, industrial agriculture sector.<sup>73</sup> These initiatives highlight the crux of the argument made by Deborah Fitzgerald in her study of American agriculture: the modernization project was encouraged and facilitated by the state, making it at least as much a political revolution as it was an economic one.<sup>74</sup> Likewise - indeed perhaps even more than in

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<sup>71</sup> Skogstad, *Internationalization and Canadian Agriculture*, 50-51.

<sup>72</sup> Skogstad, *The Politics of Agricultural Policy-Making In Canada*, 43.

<sup>73</sup> *Ibid.*, 43-44.

<sup>74</sup> Deborah Fitzgerald, “Accounting for Change: Farmers and the Modernizing State,” in *The Countryside in the Age of the Modern State: Political Histories of Rural America*, ed. Catherine McNichol Stock and Robert D. Johnston, (Ithaca: Cornell University Press, 2001), 211.

America - the federal government has always been a key actor in the shape that agriculture has taken in Canada. Modernizing innovations in agriculture contributed to the ‘Green Revolution’, which involved the use of chemical applications and synthetic fertilizers (which changed agriculture around the world, not just in North America). However, this would also contribute to a dynamic known as the ‘technology treadmill,’ which is discussed in the next chapter.

The Diefenbaker government also introduced a series of measures specifically designed to protect farm incomes. In 1958 it implemented the Agricultural Stabilization Act (ASA), which replaced the APSB with the Agricultural Stabilization Board (ASB). To recall, the APSB was designed to provide base prices for eleven farm commodities other than wheat. The ASB was designed to shield farmers from the price fluctuations inherent in the international competitive market system.<sup>75</sup> The ASB guaranteed a base price (80 percent of the 10 year average price) for nine specific commodities. It is notable that unlike its predecessor, it did not include price ceilings. Also, in 1959 the federal government introduced a Crop Insurance (CI) program, designed to protect farmers against natural disasters such as drought and hail. Farmers contributed premiums based on the particular type of coverage that they chose. Between them, these programs resulted in a three-fold increase in federal expenditures on agriculture between 1957-58 and 1972-73, as prefigured above, and Grace Skogstad argues that such an increase reflected a clear commitment to a Keynesian approach in agriculture, given that similar expenditure increases had taken place in the social policy arena, including old age

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<sup>75</sup> Ibid.

security and the Canada pension plans.<sup>76</sup> Broadly speaking, Keynesianism refers to the belief advanced by its namesake, John Maynard Keynes, that government intervention was necessary in order to mitigate against the downturns endemic to the capitalist market economy.<sup>77</sup> It should be noted, however, that some 80 percent of these expenditures went to dairy farmers, who suffered through considerable economic duress in the 1960s.<sup>78</sup>

Dairy farmers in Ontario and Quebec became increasingly militant when their incomes plummeted, largely due to chronic overproduction and rising costs in the 1960s. Demonstrations occurred throughout the mid-1960s, including a massive demonstration on Parliament Hill involving over 20,000 farmers in 1967, organized by the Ontario Farmers Union, Ontario Federation of Agriculture, and Union catholique des cultivateurs due Quebec. Their chief demand was higher industrial milk prices.<sup>79</sup> The minority governments of the Pearson Liberals (1963-65 and 1965-68) were eager to court voters in Central Canada, where the dairy sector was concentrated. Therefore, Ottawa created the Canadian Dairy Commission (CDC) in 1966. The CDC initially took over the administration of the price supports for dairy farmers, and later implemented a national system of supply management in order to raise and stabilize prices.

The unrest of the 1960s, together with the growing financial commitments associated with these programs, led the Pearson Liberal government to form a Task Force on Agriculture in 1967. The purpose of the task force was to assess the state of the agriculture sector and provide policy recommendations. In its ensuing report, *Canadian*

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<sup>76</sup> Ibid., 44 and Skogstad, *Internationalization and Canadian Agriculture*, 51.

<sup>77</sup> Neil Bradford, "The Policy Influence of Economic Ideas: Interests, Institutions and Innovation in Canada," *Studies in Political Economy*, 59 (Summer 1999): 26-34.

<sup>79</sup> Dairy farmers were receiving \$3.83 per cwt, and wanted \$5.00 per cwt. Mitchell, *The Politics of Food*, 1975, 122.



*Agriculture in the Seventies*<sup>80</sup>, the task force reported that the agriculture sector was not in good shape. It found evidence of chronic low incomes, low and unstable prices, cost-price squeeze, over-production, regional disparities, slow market growth, diminishing export markets.<sup>81</sup> The task force was also critical of the agriculture policies in place at the time, including the farm income protection programs outlined above, describing them as paternalistic, ineffective, and uncoordinated.<sup>82</sup> It recommended that:

governments should reduce their direct involvement in agriculture thereby encouraging farmers, farm organizations and agribusiness to improve their management and leadership functions and stand more self sufficiently on their own. We assume agriculture should be operated much as any other industry.<sup>83</sup>

It did not, however, recommend moving to a strictly laissez faire system. The task force recommended several forms of government intervention, including effective stabilization programs (i.e. phasing out the ineffective ones), and introducing programs intended to discourage surplus production (i.e. crop switching, land retirement programs, and supply management), farm management improvement, and career transition (i.e. moving non-viable farmers move out of farming).<sup>84</sup> Finally, the task force recommended that Canada pursue the reduction of international trade barriers for agricultural commodities, due to its

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<sup>80</sup> The task force members included D.R. Campbell, P. Comtois, J.C. Gilson, D.H. Thain, and D.L. MacFarlane, *Canadian Agriculture in the Seventies*, Report of the Federal Task Force on Agriculture, Ottawa, December 1969.

<sup>81</sup> *Ibid.*, 7 and 13-25.

<sup>82</sup> *Ibid.*, 273.

<sup>83</sup> *Ibid.*, 431.

<sup>84</sup> *Ibid.*, 432.

view that the development of Canadian agriculture and farm incomes were being adversely affected by trade barriers.<sup>85</sup>

Skogstad argues that the federal government's response to the task force revealed its recognition of the fact that following its recommendations would not be politically viable.<sup>86</sup> The task force argued that there were many non-viable farmers, who were falling increasingly behind in the "competitive race," and who "have too small earnings to be able to save or to justify borrowing sufficient amounts to finance the required expansion."<sup>87</sup> Indeed, farm groups railed against the task force's position that the federal government reduce its involvement in the agriculture sector and allow farm numbers to be reduced.<sup>88</sup> Therefore, Ottawa chose to cherry-pick recommendations that were favoured by farmers. The task force recommended the implementation of national marketing boards, in order to address the disadvantaged bargaining position of farmers within agricultural markets and to reduce the federal government's level of involvement.<sup>89</sup> Marketing boards would improve farmers bargaining position by allowing them to market their products collectively, thus enabling them to have greater influence over the prices that they received. The result was the introduction of the Farm Products Marketing Agencies Act in 1972, which effectively allowed farmers to determine and fix the price of certain commodities through the introduction of four national marketing agencies for poultry and eggs (this system had already been

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<sup>85</sup> Ibid., 59-60.

<sup>86</sup> Grace Skogstad, *Internationalization and Canadian Agriculture*, 52-53.

<sup>87</sup> Ibid.

<sup>88</sup> *Canadian Agriculture in the Seventies*, 21-23.

<sup>89</sup> *Canadian Agriculture in the Seventies*, 23-24.

implemented in dairy through the CDC).<sup>90</sup> The task force also recommended that prairie grain prices be stabilized, in order to prevent the wild price swings inherent in the sector.<sup>91</sup> Ottawa followed suit by introducing the Western Grains Stabilization Act (WGSA), which was designed to stabilize net returns from the export of prairie crops. The WGSA was voluntary, and involved contributions by farmers that were supplemented by the federal government.<sup>92</sup> Other measures introduced by the federal government following the task force report included the Lower Inventories For Tomorrow (LIFT) and Two Price Wheat programs.<sup>93</sup> Although each of these programs could be presented as a response to specific needs (and to specific political pressures and demands), it can also be suggested that, taken together, they represented a further expansion – as opposed to a move away from – a Keynesian model in Canadian agriculture.

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<sup>90</sup> The four national marketing agencies were the Canadian Egg Marketing Agency (1972), the Canadian Turkey Marketing Agency (1973), the Canadian Chicken Marketing Agency (1979), and the Canadian Broiler Hatching Marketing Agency (1986).

<sup>91</sup> Among the task force's recommendations for grain and oilseeds, was the recommendation that the stabilization of grain prices be carried out through the introduction of a Transition Policy to reduce wheat and barley acreage through acreage diversion payments, the introduction of a Prairie Grain Stabilization Program that guaranteed a floor price after surpluses had been reduced to manageable, and that grain marketing through the Canadian Wheat Board be continued. *Canadian Agriculture in the Seventies*, 130-133.

<sup>92</sup> For every dollar the contributed to the program by the farmer, the federal government contributed two dollars.

<sup>93</sup> The LIFT program was designed to help mitigate against the over production of wheat and to encourage farmers to diversify into new crops. It provided incentive for farmers to grow crops other than wheat or to take land out of production. Skogstad, *The Politics of Agricultural Policy-Making In Canada*, 58. The Two Price Wheat program fixed the domestic price of wheat for Canadian mills at relatively low levels, which effectively subsidized consumers when work prices were high. Colin Carter and R.M.A. Lyons, "The Canadian Wheat Board: Its Role In North American State Trading," Paper prepared for the project on *The Role of State Trading of Agricultural Products in North America*, Institute of International Studies (Stanford University, October 1998): 6-7, accessed on August 10, 2012, <http://aic.ucdavis.edu/oa/stecwb.pdf>.

### 2.3.2. *Provincial Activism and Farm Assistance Measures*

The expansion of instruments to assist farmers in the 1970s was also spurred, arguably, by the emergence of provincial activism in agriculture. Indeed, Skogstad argues that the provinces became major drivers for the expansion of farm subsidy programs.<sup>94</sup> Provincial activism was the result of nationalism in Quebec after the Quiet Revolution of the 1960s, but it also reflected the growing wealth of several other provinces (notably Alberta), and the increased importance of several policy areas under provincial jurisdiction (social welfare and resource development, in particular).<sup>95</sup> As a result, the provinces, led by Quebec, began to seek more autonomy and control in these areas, and to challenge the authority of the federal government. Resource development in the western provinces (e.g. mining, forestry, and energy) generated unprecedented economic prosperity, and led them to seek greater control of their economic affairs. Provincial activism was reflected in ‘province-building’ strategies designed to further increase economic prosperity.<sup>96</sup> For example, Quebec and British Columbia undertook massive hydroelectric development, and the Saskatchewan government led the development of its large potash resource, while Alberta undertook extensive development

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<sup>94</sup> Skogstad, *The Politics of Policy-Making In Canadian Agriculture*, 53-83.

<sup>95</sup> R.A. Young, Philippe Faucher, and Andre Blais, “The Concept of Province-Building: A Critique,” *Canadian Journal of Political Science*, 17, no. 4 (Dec, 1984): 784-786.

<sup>96</sup> Edwin R. Black and Alan C. Cairns, “A Different Perspective on Canadian Federalism,” in *Canadian Public Administration*, 9 (1966): 27-44; Larry Pratt, “The State and Province-Building: Alberta’s Development Strategy,” *The Canadian State*, ed. Leo Panitch, (Toronto: University of Toronto Press, 1977), 133-162; J. Richards and L. Pratt, *Prairie Capitalism: Power and Influence in the New West* (Toronto, McClelland and Stewart: 1979); Garth Stevenson, “Federalism and the Political Economy of the Canadian State,” *The Canadian State*, ed. Leo Panitch (Toronto, University of Toronto Press: 1977); Robert Bothwell, Ian Drummond and John English, *Canada Since 1945: Power, Politics, and Provincialism* (Toronto, University of Toronto Press: 1981); Donald Smiley, “Federal-Provincial Conflict in Canada,” *Canadian Federalism: Myth or Reality*, ed. J.P. Meekison, 3<sup>rd</sup> ed. (Toronto: Methuen, 1977): 15; Alan C. Cairns, “The Other Crisis of Canadian Federalism,” *Canadian Public Administration*, 22 (1979): 175-195.

of its oil and gas sector. These province-building efforts generated conflict both between provinces and the federal government, and between some provinces themselves, a dynamic known as ‘competitive federalism.’

Consistent with the emergence of competitive federalism, in the 1970s some provinces wanted to take advantage of shared jurisdiction in agriculture and their newfound economic prosperity, and began to implement their own farm subsidy programs.<sup>97</sup> Skogstad has documented these developments in her study of Canadian agriculture policy and federalism. Until this point, the federal government had always assumed sole responsibility for the provision of subsidy programs. But, with farm commodity prices at depressed levels and federal price support programs deemed inadequate, some provinces moved to fill the void.<sup>98</sup> British Columbia was the first to introduce such a program, when it passed the Farm Income Assurance Act in 1973. The associated program paid 75 percent of the difference between the market price and cost of production for each program commodity, which made it the most generous stabilization program in North America at the time.<sup>99</sup> In 1975 Quebec followed suit with a major program of its own, known as the Farm Income Stabilization Insurance Act. Like the BC scheme, its payments were based on production costs. Soon, other provinces introduced more limited subsidy programs, including Ontario, Saskatchewan, and Alberta. Their goals included protecting their farmers from volatile commodity prices, giving their

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<sup>97</sup> Section 95 of the Constitution of Canada stated that jurisdiction over agriculture was to be shared by the federal and provincial governments, with federal laws being paramount to conflicting provincial laws. *The Constitution Act*, Statutes of Canada 1867, accessed on August 10, 2012, <http://www.canlii.org/en/ca/const/const1867.html>.

<sup>98</sup> Skogstad, *The Politics of Policy-Making In Canadian Agriculture*, 53.

<sup>99</sup> *Ibid.*, 62.

farmers an edge against their competitors, and – politically important - winning the support of their farming communities.

Skogstad argues that the proliferation of provincial farm subsidy programs served to generate conflict between provinces, and between the federal government and some provinces. Some provinces were concerned that some of their counterparts were giving their farmers an unfair advantage.<sup>100</sup> The federal government was also concerned about the emergence of an uneven playing field that was seen to be distorting the natural competitive advantages of the provinces. In response, the federal government expanded the Agricultural Support Board's price support schemes, by raising their levels and making them mandatory for nine commodities.<sup>101</sup> The intent was to harmonize the provision of farm subsidy across the country. Skogstad argues that the federal government was able to justify its actions by the need to meet the overarching national objective of shielding producers and consumers from the worst effects of the market turbulence, which was taking place at the time.<sup>102</sup> The proliferation of farm subsidy programs in the 1970s resulted in an increase in expenditures from 11 to 24 percent of net farm income,<sup>103</sup> and had unequivocally made farm subsidies a core component both of Canada's agriculture policy, and of Canadian farmers' incomes.

By the end of the 1970s, one could clearly identify a Keynesian type arrangement of policy measures in Canadian agriculture.<sup>104</sup> A grain marketing board, hog marketing

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<sup>100</sup> Ibid., 71-72.

<sup>101</sup> Skogstad, *Internationalization and Canadian Agriculture*, 53.

<sup>102</sup> Skogstad, *The Politics of Agricultural Policy-Making In Canada*, 158.

<sup>103</sup> Skogstad, *Internationalization and Canadian Agriculture*, 53.

<sup>104</sup> The State Assistance paradigm rests on two main principles: "First, the agriculture sector contributes to national policy objectives and therefore merits special attention from governments; and, second, the price mechanism is a sub-optimal means of achieving an efficient and productive agriculture sector.

boards, transportation subsidies, supply management in dairy, poultry, and eggs, and an elaborate suite of farm subsidy programs. These measures had been introduced initially with nation-building purposes in mind, and later reoriented in ways designed to improve farmer production and efficiency, and to address the inferior bargaining position of Canadian farmers in relation to the input suppliers, grain companies, and railways. However, by the 1980s these regulations, institutions, and programs had become a structural part of the Canadian farm economy, and the decision-making processes of Canadian farmers. They had also come to constitute a significant annual cost to the Canadian government. As will be shown in the next chapter scholars have described the arrangement of regulations, institutions, and programs in Canadian agriculture as the ‘state assistance paradigm,’ and argue that it possesses qualities that have made it highly durable over time despite efforts by governments to undertake reforms.

#### **2.4. 1985 - Present: Rise of Neoliberalism and Division Within the Prairie Farm Community**

Critics of farm assistance instruments in agriculture – especially farm subsidies - allege that they were distorting markets, were causing overproduction, were costly to society as a whole, and thus doing more harm than good.<sup>105</sup> They argue that their

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Imperfect markets combine with unmanageable natural risks and concern for food security to give governments a large role in subsidizing agricultural production.” William D. Coleman, Grace D. Skogstad, and Michael M. Atkinson, “Paradigm Shifts and Policy Networks: Cumulative Change in Agriculture,” *Journal of Public Policy* 16, no. 3 (Sep.-Dec. 1996): 275.

<sup>105</sup> All articles in *Agricultural Policy Reform in the United States*, ed. Daniel A. Sumner, AEI Studies in Agricultural Policy (Washington D.C., The AEI Press, 1995); Luther Tweeten, “Farm Commodity Programs: Essential Safety Net or Corporate Welfare?,” in *Agricultural Policy for the 21<sup>st</sup> Century*, ed. Luther Tweeten and Stanley R. Thompson (Ames, Iowa, Iowa State Press: 2002); Willard W. Cochrane and C. Ford Runge, *Reforming Farm Policy: Toward A National Agenda* (Ames, Iowa, Iowa State University Press, 1992); Alan Swinbank and Carolyn Tanner, *Farm Policy and Trade*

existence was causing farmers to farm the programs rather than the land. It is alleged that farmers were paying more attention, in their decisions about what to farm, to the incentives offered by farm subsidy programs, than they were to market signals.<sup>106</sup> More broadly critics argue that protectionist measures had caused international trade problems, impeded the rationalization of the farm sector, and had failed to solve the chronic income problems of farmers.<sup>107</sup> What is more, so the critical argument goes, governments tended to only worsen problems by attempting to fix them with programs and regulations. Indeed, it is alleged that farmers had become inefficient *as a result of these market-distorting mechanisms*. These critics include many agricultural economists,<sup>108</sup> and representatives of the neoclassical economics school, who have advocated for a neoliberal approach in agriculture and in every other area of productive activity.

Broadly speaking, neoliberalism refers to economic liberalization through open markets, privatization, deregulation, and an increasing role for the private sector in society.<sup>109</sup> Neoliberalism has greatly influenced the policy directions taken by western developed countries since the early 1980s. Perhaps the most significant indicator of this has been the way that officials trained in the economics profession, have swollen the ranks of the bureaucracies of governments (e.g. departments of finance, trade, and

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*Conflict: Uruguay Round and CAP Reform* (Ann Arbor, University of Michigan Press: 1996); David Orden, Robert Paarlberg, and Terry Roe, *Policy Reform In American Agriculture* (Chicago, University of Chicago Press: 1999).

<sup>106</sup> Coleman et al, "Paradigm Shifts and Policy Networks: Cumulative Change in Agriculture," 275.

<sup>107</sup> Swinbank and Tanner, "Farm Policy and Trade Conflict: Uruguay Round and CAP Reform," 19-31; Skogstad, *Internationalization and Canadian Agriculture*, 59-60; Timothy Josling, *Agricultural Trade Policy: Completing the Reform*, Policy Analyses In International Economics, Institute for International Economics, 53 (April 1998), 5-21.

<sup>108</sup> Bruce L. Gardner, *American Agriculture in the Twentieth Century: How It Flourished and What It Cost* (Cambridge: Harvard University Press: 2002): 213 and 351.

<sup>109</sup> Bradford. "The Policy Influence of Economic Ideas: Interests, Institutions and Innovation in Canada," 35-41.



agriculture), international institutions (e.g. OECD, WTO, IMF, and World Bank).<sup>110</sup> Neoliberalism has been advocated by many in the agricultural economics profession, which has led the way in the study of agriculture and the training of farmers and professionals destined for the aforementioned bureaucracies. Neoliberalism rose to ascendency in the 1980s, and has since formed the basis for trade liberalization, deregulation, fiscal restraint efforts. Canadian political scientists have referred to neoliberalism as the ‘market liberal paradigm’ in their studies of Canadian agriculture, as will be discussed in the next chapter.

Several countries, including Canada, have undertaken privation, corporatization, and trade liberalization initiatives since the 1980s. Privatization can be carried out by governments in various ways, including: 1) the sale of a crown corporation through the issue of public shares; 2) the sale, or handing over, of a crown corporation to the employees; 3) the contracting out of a service to private business; 4) the charging of fees for a government service; 5) the repeal of a government monopoly in order to leave a sector entirely to the market; 6) the use of vouchers; and, 7) the withdrawal of government activity (e.g. regulations, programs, services).<sup>111</sup> Gordon Laxer argues that the PC government of Ralph Klein in Alberta employed some of these strategies in the 1990s in order to undertake a far-reaching contraction in provincial government services, including: the privatization of the delivery of most registry services (e.g. vehicle registration, land titles transaction, and certain vital statistics information); the sale of the

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<sup>110</sup> Skogstad, *Internationalization and Canadian Agriculture*, 60.

<sup>111</sup> Gordon Laxer, “The Privatization of Public Life,” *The Trojan Horse: Alberta and the Future of Canada* (Montreal, Black Rose Books: 1995): 106.

various stores run by the Alberta Liquor Commission Board; and, measures to allow more private involvement in health care.<sup>112</sup>

Corporatization involves changes in the terminology and operational methods used by government bureaucracies in order to make them more ‘businesslike.’<sup>113</sup> C. Hood put forth the central tenets of corporatization or NPM:

- 1) hands-on professional management; 2) explicit standards and measures of performance; 3) greater emphasis on output controls; 4) disaggregation of units in the public sector; 5) greater competition in the public sector; 6) private sector styles of management practice; and, 7) greater discipline and parsimony in resource use.<sup>114</sup>

As a result, government departments thus adopt corporate style business plans and reorient their relationships with the public in such a way that citizens become ‘clients’ or ‘consumers,’ relationships with private sector actors become ‘partnerships,’ and government activities become ‘services.’ NPM is intended to maximize the functioning of the market, and market principles, throughout the public sector. The federal government undertook NPM reforms in the 1990s, in accordance with its Public Service 2000 strategy launched in 1989.<sup>115</sup> These reforms included the amalgamation of departments, reduction in the size of cabinet, introduction of service agencies (special

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<sup>112</sup> Ibid., 106-100.

<sup>113</sup> Nancy Bilodeau, Claude Laurin, and Aidan Vining, “Choice of Organizational Form Makes a Real Difference: The Impact of Corporatization on Government Agencies in Canada,” *Journal of Public Administration Research and Theory*, 17, no. 1 (2007): 120-121.

<sup>114</sup> C. Hood, “A Public Management for All Seasons?,” *Public Administration*, 69, 1 (1991): 4-5.

<sup>115</sup> *Public Service Reform: Progress, Setbacks and Challenges*, Office of the Auditor General of Canada, February 2001, accessed on August 20, 2012, [http://www.oag-bvg.gc.ca/internet/docs/01psm\\_e.pdf](http://www.oag-bvg.gc.ca/internet/docs/01psm_e.pdf).

operating agencies and alternative service delivery agencies).<sup>116</sup> Some of these reforms have endured, and some were also adopted by provincial governments.

For the purposes of this study, the important point is that in accordance with the principles of neoliberalism, there were calls for similar policy measures in agriculture. Most fundamentally, neoliberals argued that agriculture should not be granted special treatment by governments<sup>117</sup> and that farmers should be left alone to make their production and marketing decisions, based on market signals. This principle was consistently employed – using the term ‘market freedom’ - by neoliberal farm groups and commentators during the political battle over the CWB’s single desk in the 1990s and 2000s examined in Chapters 6 and 7. Neoliberalism also holds that only those who can earn a livable income from the market should remain in farming, and government intervention should only be used to assist the transition of less efficient farmers into other occupations.<sup>118</sup> As well, in accordance with the principle of ‘comparative advantage’ each country should focus on producing the farm commodities that it can produce more cheaply, which can then be exchanged in the international marketplace. Therefore, trade barriers should be diminished as far as possible. Adherence to the theory of comparative advantage has driven the pursuit of liberalized trade by successive Canadian governments since the mid-1980s.

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<sup>116</sup> Eleanor D. Glor, “Has Canada Adopted the New Public Management,” *Public Management Review*, 3, no. 1 (2001): 123.

<sup>117</sup> William D. Coleman, “From Protected Development To Market liberalism: Paradigm Change In Agriculture,” *Journal of European Public Policy*, 4, no. 4 (1998): 642.

<sup>118</sup> *Ibid.*; Grace Skogstad, *Internationalization and Canadian Agriculture*, 21.

### ***2.4.1. Division Within The Farm Community***

The gain in influence of neoliberalism in the final decades of the 20<sup>th</sup> century is largely attributable to economic and political developments that affected much of the western world: large budget deficits as welfare states grew steadily, and in reaction, the election of a new kind of conservative leaders for whom ‘slaying the deficit’ and cutting the size of government were ideological imperatives. Margaret Thatcher in the UK and Ronald Reagan in the US were the global exemplars of this sort of political leadership. However, the same debates, and the same pressures on governments to find savings and to cut back on program spending, affected Canada too, and contributed to the election of Brian Mulroney in the 1980s and of Ralph Klein in Alberta in 1992. It is important to understand, therefore, that the ideas and agendas associated with neoliberalism were being promoted in many jurisdictions, and in many areas of public policy (i.e. not just in Canadian agriculture).

Notwithstanding the impact of neoliberalism on Canadian agriculture, it is also important to understand how the ‘farm community,’ at least in western Canada, had changed since the 1950s. Mitchell argues that a highly significant factor in generating the political fissures that emerged, was the class division that developed between the large and small farmers in the decades after the end of World War II.<sup>119</sup> During the 50s, 60s, and 70s, farming was transformed from a way of life, requiring the labour of the full family, animal power, and the frequent assistance of neighbours, to a highly mechanized one-man operation.<sup>120</sup> Technological advancements developed during World War II were

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<sup>119</sup> Mitchell, *The Politics of Food*, 14.

<sup>120</sup> *Ibid.*, 15.

applied to the agriculture sector. Machines such as tractors, swathers, and combines began to proliferate in the prairie region, and replace much of the animal power and human labour that had previously been required. Fitzgerald notes in her study of the modernization in American agriculture, this was a political revolution as much as it was an economic one: "...a revolution in American agricultural practice, shaped extensively by technocratic and scientific approaches created and endorsed by the state."<sup>121</sup> Indeed, the Task Force On Agriculture report (discussed above) stated that there had emerged "a farming 'elite'" of large-scale business-oriented, technically-experienced operators who are increasingly set apart from the rest."<sup>122</sup> By the 1970s the disparity between the large farm class and small farm class was the largest of any such division in any other occupation group.

Farmers not only expanded their operations, but became more specialized as well. The introduction of chemical applications (e.g. herbicides and pesticides) and synthetic fertilizers, not only greatly increased yields, but also allowed for the production of monocultures. This allowed farmers to focus on producing certain crops, or forms of livestock. As a result, farmers became fragmented still further on the basis of commodity production.<sup>123</sup> For instance, the interests of livestock farmers, who generally wanted cheaper feed prices, ran at loggerheads with grain farmers, who want higher feed prices. As farmers became more fragmented and their operations more technologically advanced, they began to view themselves less as farmers and more as independent

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<sup>121</sup> Fitzgerald, "Accounting for Change: Farmers and the Modernizing State," 211.

<sup>122</sup> *Canadian Agriculture in the Seventies*, 1969: 23.

<sup>123</sup> *Ibid*: 15.

business peoples.<sup>124</sup> Moreover, farmers began to identify more with the businesses involved in providing the particular inputs and services required by their particular farming operation, depending on their commodity production specialization.<sup>125</sup> In other words, farmers became aligned with the business communities specializing in the production of particular farm commodities, at least as much than they did with their fellow farmers and neighbours. The result was that the distrust of big business that farmers had held steadfast to in the early part of the century, was disappearing. Simply put, agribusiness had coopted much of the farm community, or (less provocatively) many farmers – particularly the larger ones – started to see themselves as business people.

These new allegiances were further strengthened by the fact that farmers' ties with their neighbours and rural communities had severely atrophied.<sup>126</sup> Mechanization had allowed farmers to become almost entirely independent with respect to the daily workload of their farming operations, making cooperation, and even contact, between neighbours much less frequent. By contrast, farmers were in contact with business representatives of agribusiness companies on a daily basis. Mechanization was also catalyst for the exodus of peoples from rural area, as the children of farmers were free to leave once they reached the appropriate age.<sup>127</sup> The result was that rural communities simply atrophied in every way possible. Villages and hamlets disappeared entirely, services and businesses were discontinued in the larger towns, and farmers' ties

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<sup>124</sup> The self-conception of many farmers (generated from their assessment of their relationship to the rest of society, which was shaped by their involvement in production and the social network of their community) became fundamentally different in the 1970s, from what it had been in the initial decades of the twentieth century. Mitchell, *The Politics of Food*, 13.

<sup>125</sup> Ibid: 15.

<sup>126</sup> Ibid: 15.

<sup>127</sup> Ibid: 15.

to their rural communities became weaker. Mitchell notes “farmers became an extension of an already defined urban community with its own power structure, social network, and political tradition.”<sup>128</sup> The net result was that the self-conception and political allegiances of farmers had shifted.

This social fragmentation of the prairie farming community also led – not surprisingly - to divisions in the political allegiances of farmers. By the 1970s, there was no longer a single political position that represented the views of Prairie farmers; they were no longer a single group, with a readily identifiable set of problems in common to all. Instead, there was great variation in their perceived problems and their ideological allegiances. Many of the farmers whose operations were larger and more technologically advanced, shifted allegiance and their financial support to neoliberal oriented farm groups and political parties. The new enemies for these farmers were cooperative organizations (in many cases the very organizations they had belonged to only a few years before), state assistance measures, and government in general. Conversely, agribusiness corporations were their new partners. By contrast, other farmers, certainly most small and less technologically advanced farmers, remained allied to the farm groups and political parties that supported the regulations, institutions and programs that had been implemented prior to the 1980s. However, what must be emphasized, is that the views of most of these farmers toward agribusiness corporations had softened considerably since the pre-1950 era. Moreover, many of them subscribed to some of the central principles of neoliberalism, such as liberalized trade, and viewed themselves as independent business peoples. Cooperativism had severely diminished as a commonly held value among all prairie farmers. Division and competition now characterized the Prairie farm

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<sup>128</sup> Mitchell, *The Politics of Food*, 1975, 15.

community.<sup>129</sup> In Mitchell's words, after 1950 "the agricultural community was torn economically and politically by post-war trends..."<sup>130</sup> The neoliberal farm oriented groups that emerged in this period are discussed below.

#### ***2.4.2. Creation of Neoliberal Farm Groups***

Another major factor that contributed to the gain in influence of neoliberalism in prairie Canadian agriculture was the coming to power of the Progressive Conservative (PC) party led by Peter Lougheed in Alberta in 1971. It was the first time that an "urban oriented and dominated" political party had come to power in Alberta.<sup>131</sup> The PC party's roots lie in the American dominated oil industry, and the urban and small town business communities. It had no connection to Alberta's rural cooperative tradition or its internationally oriented grains sector. The new government sought to diversify the province's economy, in addition to asserting greater control of natural resources. It saw the cattle sector as a way to add value to the province's agricultural exports, by using grain for livestock feed.<sup>132</sup> The Lougheed government believed that federal policy measures, namely the Crow Rate and the CWB, posed impediments to its plans for a more 'entrepreneurial' agriculture sector. As discussed above, both were federal institutions designed to facilitate the operation of the export grain market, and they were believed by some critics to be artificially raising domestic feed grain prices. To make

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<sup>129</sup> Coleman, Skogstad, and Atkinson describe it as being 'pressure pluralist' in "Paradigm Shifts and Policy Networks: Cumulative Change in Agriculture," 171.

<sup>130</sup> Mitchell, *The Politics of Food*, 14.

<sup>131</sup> Ken Larsen, "Alberta's Thirty Years War Against the Family Farm," *The Return of the Trojan Horse: Alberta and the New World (Dis)Order*, ed. Trevor W. Harrison (Montreal: Black Rose Books, 2005), 195.



matters worse, international grain prices began to climb dramatically in the early 1970s, which only encouraged the Lougheed government to intensify its efforts. Therefore, it attempted to insulate its agriculture sector from the international market by providing offsetting subsidies to its cattle farmers, and launched a campaign to undermine the two prominent federal policy connections to that market, the Crow Rate and the CWB.

The Lougheed government sought, therefore, to reshape the Alberta farm policy community, and to systematically undermine prairie agriculture's cooperative institutions. The objective was to 'nakedize' the CWB and Crow Rate, by destabilizing their support networks within the 'farm community.'<sup>133</sup> This support network included the Alberta Wheat Pool (AWP) and the general farm group known as Unifarm (of which the AWP was its biggest and most influential member). Other farm groups or organizations in the support network for federal institutions that operated in the prairie region or at a national level included the Saskatchewan Wheat Pool (SWP), the Manitoba Pool Elevators (MPE), and the Canadian Federation of Agriculture (CFA) and its provincial affiliates including the Saskatchewan Federation of Agriculture (SFA), and Manitoba Farm Bureau (MFB). Throughout the 1970s the Lougheed government privileged the voice of cattle farmers and created commodity commissions that received stable funding from the check off of commodity sales.<sup>134</sup>

The first such institution was the Alberta Grain Commission (AGC), created in March 1972. The AGC was given significant funding and a large governance structure

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<sup>133</sup> Ibid., 196.

<sup>134</sup> For example, the Alberta Cattle Commission was funded by compulsory check off money derived from each cattle sold in Alberta. Carol Jacques, *Unifarm: A Story of Conflict and Change* (Calgary, University of Calgary Press, 2001), 77; Barry Wilson, "Cultivating the Tory Electoral Base: Rural Politics in Ralph Klein's Alberta," *The Trojan Horse: Alberta and the Future of Canada*, ed. Gordon Laxer and Trevor Harrison (Montreal: Black Rose Books, 1995), 66.

that consisted of a chairman, vice chairman and 28 Board members. While its board members were mostly conservative ranchers, its chairman was John W. Channon, who had previously worked as a commodity trader and speculator. The AGC touted the PC government's mantra of diversification, the erosion of CWB powers, changes to the Crow Rate. Most importantly, the AGC provided a 'legitimate' alternative to the AWP in policy discussions.<sup>135</sup> Barry Wilson (a prominent agricultural journalist) points out that over the years the AGC has enjoyed privileged access to the minister, and has served as a valuable avenue into the PC caucus for some farmers. Before long, more commodity commissions were added to the mix including the Alberta Cattle Commission, Alberta Barley Commission, and the Alberta Canola Commission. This proliferation of the provincial commodity commissions added considerable presence and political strength to the neoliberal voice in the Alberta and prairie farm policy communities, and served to draw members away from the established groups that were reliant on voluntary membership dues and donations.

The Lougheed government, acting on the advice of the AGC, also began providing funding for two regional farm commodity groups.<sup>136</sup> The Western Canadian Wheat Growers Association (WCWGA) was formed in 1975 and the Western Barley Growers Association (WBGA) was formed in 1977. By 1994 these two groups had received almost \$1.5 million directly from the government of Alberta.<sup>137</sup> While the membership of these groups was comparatively small, their relative financial strength allowed them to bring forth a much stronger voice than their numbers would otherwise have permitted. Moreover, the new neoliberal farm organizations found quick allies in

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<sup>135</sup> Barry Wilson, "Cultivating the Tory Electoral Base: Rural Politics in Ralph Klein's Alberta," 66.

<sup>136</sup> Ibid.

<sup>137</sup> Ibid.

the grain companies, input supply companies, and railways. In fact, these companies have been frequent sponsors of these farm groups, which effectively served to represent their perspective in farm policy debates. By the early 1980s, the Prairie farm community had become sharply divided, between the newer farm commodity organizations that supported neoliberalism in agriculture, and the older, collectivist oriented, farm groups. And in these circumstances, the Alberta government was relatively free to carry out its objectives in agriculture. Wilson described the situation nearly two decades ago:

Over the past twenty-five years, through careful use of the powers of access, influence, and public dollars, the Alberta government has helped create the farm lobby it wants. It is a lobby that argues in favour of reduced government support and regulation, more market freedom, and greater access to American markets. It also believes in a weakening of the long-standing grain policies that favour central desk selling and “equal opportunity” grain marketing that Alberta governments have opposed as an impediment to entrepreneurial grain farmers, as well as the province’s livestock and processing sector. Now, when the Alberta agriculture department organizes province-wide consultations with farmers, it tends to receive the advice that it wants to hear. The absence of a critical mass of organized farm and rural opposition has given the Alberta government an almost free hand to create farm policy, legitimized by extensive consultation process that reinforces government claims that it is speaking for farmers.<sup>138</sup>

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<sup>138</sup> Ibid., 64.

The Alberta government's strategy achieved its first significant success when the federal Liberal government replaced the Crow's Nest Pass Freight Rate Agreement (Crow Rates), with the Western Grains Transportation Act (WGTA) in 1983.

### **2.4.3. Reform of the Crow Rate**

Pressure to reform the Crow Rate came not only from the government of Alberta. The railways had long complained that the Crow Rate was a source of financial duress, which they claimed left them incapable of maintaining branch lines. Livestock farmers also opposed the Crow Rate because it served to drive feed prices higher than their competitors in the US (given that more acres were committed to export crop production). Similarly, farmers who specialized in the production of special crops (e.g. canola, lentils, and flax) opposed it because under the Crow they had to ship their product to port at higher rates than were charged to grain farmers. As the debate gained momentum in the late 1970s and early 1980s, the prairie farm community became divided into opposing groups. On the one hand, the Saskatchewan government, National Farmers Union (NFU), and Wheat Pools, opposed any change to the Crow Rates, arguing that they were part of the bargain for the development of the prairie region and necessary for the viability of farming in the region. On the other hand, the Alberta government, Manitoba government, Prairie Farm Commodity Coalition (Palliser Wheat Growers Association, Flax Growers of Western Canada) Western Barley Growers Association, Saskatchewan Stock Growers Association, Canadian Cattleman's Association, and Rapeseed Association), United Grain Growers, and the Manitoba Farm Bureau, argued that the Crow Rate should be replaced with a system where a payment made to farmers (Crow

Benefit)<sup>139</sup> and farmers would in turn pay to the railways the full cost of shipping their grain. It should be noted that the events of this political conflict, the factors involved, and the arguments for each side are complex, and beyond the scope of this study. In the end, after a series of highly contentious consultations and studies, the federal government proceeded to reform the Crow Rates.

On August 1<sup>st</sup>, 1984 the Western Grain Transportation Act (WGTA) replaced the Crow Rate, and provided an annual payment by the federal government to the railways.<sup>140</sup> As noted above, this was not the first choice of the interests that opposed the Crow Rates. The annual payment, known as the Crow Benefit, was equivalent to the 1981-82 railway revenue shortfall calculated to be \$658.6 million. The WGTA used distance-based freight rates<sup>141</sup> and the freight rates were linked to grain prices, and specialty crops and specialty crop products were included in the statutory freight rates. Finally, as part of the WGTA, a senior transportation committee (consisting of 21 members that included farmers, the largest grain companies, crushers, truckers, railways, and feed users) was tasked with monitoring railway service and reviewing rail abandonment requests.<sup>142</sup>

The reform of the Crow Rates served as a major destabilizing event for the institutions created by the cooperative movement in the early part of the twentieth century. A key turning point in the debate came when the Saskatchewan Wheat Pool

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<sup>139</sup> The idea behind making the payment to farmers, was that farmers would have the freedom to use the payment as they chose, thus encouraging them to making decisions based on market signals in a context where no commodity received special benefits such as artificially cheaper transportation costs.

<sup>140</sup> Skogstad, *The Politics of Agricultural Policy-Making In Canada*, 147-148.

<sup>141</sup> Distance-based freight rates meant that all delivery points with the same hauling distance to port had the same maximum rate per tonne, regardless of whether it was on a low-cost mainline or high-cost branch line. Ibid.

<sup>142</sup> Ibid.

(SWP) made the decision to negotiate, rather than continue to oppose the change.<sup>143</sup> The SWP's membership had been vehemently opposed to changing the Crow Rates, however by early 1980 it had become clear that the Trudeau Liberal government was intent on reforming the Crow Rates. Thus, the SWP had to decide if it wanted to continue to oppose the change and be shut out of the discussions completely, or whether it wanted to accept the inevitability of the change and try to influence the discussions toward something more acceptable to Saskatchewan grain farmers. In November 1980, SWP delegates voted to accept that the Crow Rates would be changed, and to participate in negotiations.<sup>144</sup>

The Crow Rate reform did not stop the Alberta government's campaign against regulation in the grain sector. In 1985 it implemented the Alberta Feed Grain Market Adjustment Program for its livestock farmers. The government stated that the program was intended to offset the damage that the low freight rates, resultant from the WGTA, had on its livestock sector.<sup>145</sup> The program caused a domino effect, which saw the Saskatchewan and Manitoba governments implement farm subsidy programs for their livestock farmers in 1989, in order to even the playing field for their livestock farmers vis-à-vis Alberta livestock farmers.<sup>146</sup>

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<sup>143</sup> Katherine Alice Lang, *Cognition, Agency Theory, and Organizational Failure: A Saskatchewan Wheat Pool Case Study*, A Thesis Submitted to the College of Graduate Studies and Research In Partial Fulfillment of the Requirements For the Degree of Master of Science, In the Department of Agricultural Economics, University of Saskatchewan, 2006, 63-64.

<sup>144</sup> Ibid.

<sup>145</sup> K. K. Klein, S.N. Kulshreshtha, B. Stennes, G. Fox, W.A. Kerr, and J. Corman, "Transportation Issues in Canadian Agriculture II: Analysis of the Western Grain Transportation and Feed Freight Assistance Acts," *Canadian Journal of Regional Science*, 17, no. 1 ( Spring, 1994): 48, accessed April 28, 2012 <http://www.cjrs-rcsr.org/archives/17-1/Klein-et-al.pdf>.

<sup>146</sup> Ibid.

In the post-Crow Rate period, the railways began abandoning prairie branch lines. The branch lines were the lifeblood for many prairie elevators and communities. As a result, rapid consolidation took place, as many line elevators were closed. The abandonment of branch lines and closing of line elevators badly destabilized the prairie Wheat Pools. In addition, the intensity of the conflict over the Crow Rate had badly divided the prairie farm policy community, and the general farm organizations. The tension and fatigue proved too much for the federal structures of both the Saskatchewan Federation of Agriculture (SFA) and the Manitoba Farm Bureau (MFB) to endure. As a result, both organizations disintegrated in the mid-1980s.

The conflict between the neoliberal and collectivist farm groups over the future of the CWB in the 1990s and 2000s, is examined in greater detail in Chapters 6 and 7.

#### **2.4.4. Trade Liberalization**

A pivotal moment in the debate between those who favoured an active role for government in the Canadian economy and those who believed that economic growth in Canada would require a restructuring of our economy along lines dictated by market forces, was the 1985 MacDonald Report.<sup>147</sup> In 1982 Trudeau formed the Royal Commission on the Economic Union and Development Prospects for Canada, in order to examine the state of the Canada's economy, and make policy recommendations. Throughout the 1970s Canada had suffered through a long economic recession, and the Liberal government had introduced several nationalist-oriented measures (Petro-Canada, Canadian Development Corporation, Foreign Investment Review Corporation, the Third

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<sup>147</sup> Gregory J. Inwood, *Continentalizing Canada: The Politics and Legacy of the MacDonald Royal Commission* (Toronto: University of Toronto Press, 2005).

Option<sup>148</sup>, and the National Energy Policy) to maintain Canadian control over the Canadian economy and improve its performance.<sup>149</sup> However, these programs did not produce the desired results, and the Macdonald Commission recommended a less interventionist approach, leaving industrial decision-making to the private sector and to the marketplace.<sup>150</sup> The most controversial recommendation to come out of the report was that Canada should take a ‘leap of faith’ and pursue free trade with the United States.<sup>151</sup> It was hoped that by opening Canada’s borders, domestic industries would become stronger in the face of competitive pressures.<sup>152</sup> It was also hoped that although some sectors would certainly flounder, others would flourish, and as a whole, Canada would be better off. As a result, the Mulroney PC government committed itself to the pursuit of a free trade deal with the United States, and accomplished the feat in 1998 with the signing of the Canada-US Free Trade Agreement (CUSTA).

The decision to pursue free trade with the United States was part of a broader decision by the Government of Canada to pursue a neoliberal model for its economy, including the agriculture sector. After signing the CUSTA in 1988, Canada signed onto the North American Free Trade Agreement (NAFTA) in 1993 and the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) that established the World Trade Organization (WTO) in 1995. The liberalization of trade has led Canadian governments to measure the success of the agriculture sector by the value of its exports and trade

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<sup>148</sup> The Third Option was an attempt to divert trade away from the United States.

<sup>149</sup> Ibid: 30-31.

<sup>150</sup> Bruce Doern and Brian W. Tomlin, *Faith and Fear: The Free Trade Story* (Toronto: Stoddart Publishing Co. Limited, 1991), 52-57.

<sup>151</sup> Ibid., 24-25.

<sup>152</sup> Daniel Drache, “Assessing the Benefits of Free Trade,” *The Political Economy of North American Free Trade*, ed. Richardo Grinspun and Maxwell A. Cameron (New York: St. Martin’s Press, 1993), 83.



balance. Susan Strange and Philip Cerny argue that economic globalization has led to the emergence of the ‘competition state,’ whereby states give increased attention to competitiveness by measuring levels of international and domestic market share.<sup>153</sup> Consequently, the federal government began to measure the success of Canadian agriculture by the total value of its agri-food exports. Moreover, the adoption of neoliberal principles by the federal government and a large portion of the agriculture sector, resulted in pressures – both from interest groups within the agricultural sector, and other Canadian business groups who have viewed agricultural protectionism as an obstacle to Canada’s inclusion in international trade pacts - to dismantle the agricultural subsidies, the supply management frameworks, and other collectivist measures that have been part of the Keynesian approach in Canadian agriculture.<sup>154</sup>

## 2.5. Conclusion

As has been shown, national objectives and the political power of farmers served to encourage the federal government to construct an impressive array of regulatory, institutional, and program instruments in Prairie agriculture. These efforts continued in the post-war period, as the provinces also became active in agriculture. However, division among farmers, the fiscal burden of farm subsidy measures, and the rise of neoliberalism, resulted in an adoption of a new approach by the federal

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<sup>153</sup> Strange, Susan, “Rethinking Structural Change in the International Political Economy: States, Firms, and Diplomacy,” *Political Economy and the Changing Global Order*, ed. Richard Stubbs and Geoffrey R. D. Underhill, 3<sup>rd</sup> ed. (New York: Oxford University Press, 2005), 103-15; Philip G. Cerny, “Paradoxes of the Competition State: The Dynamics of Political Globalization,” *Government and Opposition*, 32 (1997), 617-637.

<sup>154</sup> Skogstad, *Internationalization and Canadian Agriculture*, 59-68.

government in the 1980s. The establishment of trade agreements and efforts to control the provision of farm subsidies, became primary objectives of the federal government.

Efforts to reform Prairie agriculture policy by the federal government were met with mixed results. Institutional scholar employed and developed a series of theoretical tools in an effort to understand and explain the varied results of these reform efforts. In particular, these approaches have sought to explain why policy reform has been difficult to achieve. Efforts to dismantle farm assistance measures also spurred a body of literature generated by political economists, who have argued that agri-food had fallen increasingly under the control of powerful transnational corporations (TNC) at the expense of farmers, consumers, society as a whole, and the environment. Moreover, these scholars have been joined by activists who have been highly critical of industrial approaches to food production, and who promote a new kind of agri-food system. The theoretical approaches employed and developed by these scholars and activists are examined in the following chapter.

## **Chapter 3**

### **Theoretical Approaches**

#### **3.1. Introduction**

The following chapter examines the theoretical approaches and concepts employed by political scientists and sociologists to explain policy development in agriculture. Institutional scholar have focused on the reasons why governments have had difficulty changing policies or terminating specific policy instruments. Policy paradigms is the name given by institutionalist scholars to the broad idea-based frameworks that have informed the policy directions of governments. Given that paradigms are typically in place for long periods of time, most policy change tends to involve relatively small changes within a paradigm, such as changes to specific programs or regulations. Full-scale paradigm change does occur on rare occasions, however, when the governing paradigm cannot cope with an emergent crisis, or when a new government is ideologically and/or politically committed to introducing a different approach. Policy networks have been used to explain the pace and extent of policy change in different agriculture sectors. More sudden and dramatic changes have taken place in sectors where pluralist policy networks exist, while slower and more mediated changes have taken place in sectors where corporatist policy networks exist. Finally, path dependence has been a key factor in minimizing policy reform. When institutions have a capacity to defend themselves, have influential supporters within the policy community, and have key actors defending them, change has been minimized. Yet while institutionalist

theories are useful for understanding the dynamics surrounding policy change, they do not offer much insight into the effects of policy change on the farm community.

Political economists, in contrast, have focused on the dynamics of the capitalist market place, and on the market relations within which food is produced: the relations between the farmers who actually grow grain or raise meat, and the companies that buy these raw materials and ‘process’ them into food. Political economists who have studied agriculture have argued that large transnational corporations (TNCs) employ strategies of horizontal and vertical integration, both of which will be discussed more fully below, in order to maximize their ability to earn profits, via oligopoly market power and control. These strategies have increased the already substantial market power disparity between farmers and the food companies who have always bought their produce, and this, in turn, has intensified the cost-price squeeze experienced by prairie farmers since they began adopting new technologies in the post-war period. The cost-price squeeze refers to the way that ever-rising costs ultimately encroach upon the returns that farmers realize for their farm commodities, leading to a farm income crisis.

Political economy scholars have developed the concept of ‘food regimes’ in order to explain the periods of stability and transition in the historical development of the political economy of market – or capitalist - agriculture. The first ‘British centered’ food regime emerged out of the economic crisis of the 1870s and lasted until World War I. It was based on the trade of wheat and meat to Europe from the settler colonies, in exchange for capital, manufactured goods, and labour. The second ‘US centered’ food regime emerged in the aftermath of World War II. It was characterized by the domination of state-centric corporations and the managed export (dumping) of surplus production into developing countries, from the US and other industrialized countries,

which protected their own agricultural economies behind high tariff walls. The economic instability of the 1970s signaled the breakdown of the second food regime. The third (corporate) food regime came into being with the establishment of the WTO in 1995, which involved the institutionalization of the use of farm subsidies by the US and EU, the elimination of border restrictions, dumping of surplus agricultural production, and the dominance of transnational agribusiness corporations. Signs that the corporate food regime could be breaking down include the recent food price crisis that has rocked a number of developing countries, as well as the emergence of a growing alternative food movement.

The alternative food movement subscribes to a new policy paradigm known as food sovereignty. Food sovereignty holds that food is a human right, that food production should work with natural ecological process and preserve the environment, that the preservation and development of local food systems is an important policy goal, and that farmers should be able to earn a living from producing food. While food sovereignty has been gaining a larger and larger following within Canada and around the world in recent years, its followers remain a very small minority of the populations of their respective countries. The Overton Window draws attention to the phenomenon whereby new ideas can serve to shift the range of politically acceptable policy options available to governments.<sup>155</sup> However, it remains to be seen whether food sovereignty will attain enough credibility within the general public to shift the window in its favour.

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<sup>155</sup> Nathan J. Russell, "An Introduction to the Overton Window of Political Possibilities," *MacKinac Center for Public Policy*, January 4, 2006, accessed January 16, 2012, <http://www.mackinac.org/7504>.

## 3.2. Institutional Theories

### 3.2.1. Policy Paradigms

Several influential scholars of Canadian agriculture have employed institutionalist approaches to explain the resistance to neoliberal policy change in agriculture.<sup>156</sup> These studies are part of a larger literature devoted to understanding policy change in industrialized countries in the 1980s and 1990s, the years when, as noted in the previous chapter, there was politically-driven interest in public sector ‘reform’ in line with the principles of NPM, but also political resistance from groups who were historical recipients of public subsidies, as well as from public servants whose life work had been the implementation of state assistance measures.

One line of study has focused on the role of ideas in agriculture policy, in order to understand why large-scale policy reform is actually quite difficult to achieve. Canadian political scientists have employed the concept of ‘policy paradigms’ in order to understand the dynamics concerning policy change in Canadian agriculture. The idea of policy paradigms was developed by Peter Hall, who used it to explain macroeconomic policy change in Great Britain in the 1970-89 period. Hall argued that all public policy is developed within a framework consisting of ideas and normative beliefs, regarding the goals to be achieved and the problems to be resolved. These frameworks also include prescriptions regarding how policy-making should take place and who should be

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<sup>156</sup> Skogstad, Grace. *Internationalization and Canadian Agriculture: Policy and Governing Paradigms*; Skogstad, “The Dynamics of Institutional Transformation: The Case of the Canadian Wheat Board,” *Canadian Journal of Political Science*, 38, no. 3 (2005); Coleman “From Protected Development To Market Liberalism: Paradigm Change In Agriculture”; Coleman, Skogstad, and Atkinson. “Paradigm Shifts and Policy Networks: Cumulative Change in Agriculture.”

involved, as well as the kind of policy instruments to be employed. The framework eventually becomes embedded in governing institutions and societal discourse to the point where it is taken for granted. Thus, it informs the terminology used in policy development and its central tenets persist without undergoing much scrutiny. Hall argued that Keynes' ideas "became the prism through which policymakers saw the economy as well as their own role within it".<sup>157</sup> He called these frameworks 'policy paradigms.'<sup>158</sup>

Once established, Hall asserted, governing policy paradigms tend to survive for very long periods of time, especially when there is a match between the central principles of the paradigm and the broader normative and ideational framework of society at large. Furthermore, he argued, governing paradigms are persistent because the existing programs and regulations inspired by them, become surrounded by a 'protective buffer' comprised of networks of economic and social actors.<sup>159</sup> These actors are typically the beneficiaries of their existence, and possess the requisite resources to effectively mobilize for their defense. Given that paradigm change was likely to occur only in certain unusual circumstances, Hall argued that policy change would usually be incremental in nature, involving changes to policy instruments (first order change) or of the policy instruments themselves (second order change), while the overarching policy objectives remain the same.<sup>160</sup> Incremental change would result in elements of the new paradigm being adopted over time, but incorporated into the established framework. Thus, at any given point in time, policy would encompass elements of both the new and the old paradigm.

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<sup>157</sup> Peter Hall, "Policy Paradigms, Social Learning, and the State: The Case of Economic Policymaking in Britain," *Comparative Politics* 25, no. 3 (April 1993): 279.

<sup>158</sup> *Ibid.*

<sup>159</sup> Skogstad, *Internationalization and Canadian Agriculture: Policy and Governing Paradigms*, 10.

<sup>160</sup> Hall, "Policy Paradigms, Social Learning, and the State," 278-279.

Although paradigm change (third order change) is very rare, Hall also argued that it was possible in certain circumstances. An example, he argued, was the change in British macroeconomic policy in the late 1970s-early 1980s. The change involved a shift in goals, from controlling unemployment to controlling inflation.<sup>161</sup> It also involved a change in policy instruments from fiscal policy to monetary policy, involving a fixed target for the rate of monetary growth, and the termination of interventionist instruments including income policies, exchange controls, and quantitative limits on bank lending. According to Hall, four circumstances were necessary for paradigm change.

The first circumstance that can precipitate a paradigm change is an unanticipated crisis capable of contradicting the governing paradigm's core assumptions, and destabilizing it. A crisis could result from contradictions within the paradigm itself (policy failure), structural change within the economy, or both. The onset of stagflation (declining economic growth, combined with rising rates of inflation and unemployment) in the 1970s undermined the Keynesian paradigm, because it proved unable to anticipate the crisis or explain it. The Keynesian paradigm held that the rate of unemployment and the rate of inflation were inversely related. As a result, the government introduced a series of measures (cost of living agreements, corporate tax increases, and monetary targets) that arguably failed and even made the situation worse.

The second condition is the existence of a convincing and persuasive rival paradigm, which offers an alternative interpretation of policy problems, and an alternative prescription for resolving them. The alternative paradigm would need to match with the experiences of the public and correlate with societal values, and be

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<sup>161</sup> Ibid., 284.



politically, economically, and administratively practical.<sup>162</sup> Hall points out that in response to the stagflation crisis, a plethora of activity regarding economic policy took place in Great Britain, including the establishment of research institutes, expansion of research departments in financial institutions, and a dramatic increase in commentary regarding economic policy. He argued that a consensus developed on the merits of the monetarist paradigm, which had significant support among American economists and was the most developed and coherent alternative.<sup>163</sup> But, just as important, monetarism had political appeal for the Thatcher Conservatives because it offered a coherent challenge to the Labour government's approach, and because it provided a justification for many of the measures (e.g. reduced government spending) that they had long supported.

The third condition is a change in the policy making process or a transition in political power. A policy process change would involve a change in institutional venues and the inclusion of new actors with new ideas. In 1979 the Thatcher Conservatives won power in Great Britain, and immediately moved monetarist adherents into senior advisory positions (e.g. chief economic advisor at the Treasury), elevated monetarist sympathizers within the ranks of the bureaucracy, and concentrated authority over macroeconomic policy in the office of the Prime Minister.<sup>164</sup>

The final condition for paradigm change is the proper temporal context. Policy developments can be greatly impacted by the timing of key events and their sequential order. An event(s) occurring at one time may cause relatively little political turbulence, but at another time may ultimately result in paradigm change. Hall argued that the fact

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<sup>162</sup> Ibid., 286.

<sup>163</sup> Ibid.

<sup>164</sup> Ibid., 287.

that stagflation affected the entire developed world, opened the door for policy ideas that had support in other countries, such as monetarism did in the United States. The timing of the British election in the aftermath of a series of failed policy experiments, was also fruitful for paradigm change.

In her study of Canadian agriculture policy, Grace Skogstad has argued that a ‘state assistance paradigm’ was constructed in Canada in the pre-1980 period, as well as other industrialized countries including the United States, the Western European countries, and Japan.<sup>165</sup> As discussed in the previous chapter, the State Assistance paradigm in agriculture was consistent with the establishment of the Keynesian Welfare State, in the post-World War II period in most of the aforementioned nations. With respect to agriculture, the state assistance paradigm was also anchored in the belief that agriculture was an exceptional economic sector, which required protective measures in order to shield farmers, consumers, and society at large from problems inherent in food production.<sup>166</sup> These problems included natural risks such as inclement weather and disease outbreaks, and unstable and unequal market conditions wherein commodity and food prices are subject to wild fluctuations, while relatively few firms were in a position to control large portions of the agri-food chain. This idea, referred to as ‘agricultural exceptionalism’ and the ‘agrarian myth’ in the literature, is traced back to Thomas Jefferson who argued “the basis for a strong democratic society was its independent, landholding yeomanry.”<sup>167</sup> In other words, farmers make the best citizens. Jefferson’s

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<sup>165</sup> Skogstad, *Internationalization and Canadian Agriculture*, 43-56.

<sup>166</sup> Ibid.

<sup>167</sup> James T. Bonnon, and William P. Brown, “Why Agricultural Policy Is So Difficult To Reform?,” in *The Political Economy of U.S. Agriculture: Challenges for the 1990’s*, ed. Carol S. Kramer (Washington DC: National Center for Food and Agricultural Policy, 1989), 11; Milton Hallberg, *Policy for American Agriculture: Choices and Consequences* (Ames: Iowa State Press, 1992), 7; Ronald D.

reasoning (which was shared by President Theodore Roosevelt 100 years later), according to Paul B. Thompson, was that small, family farmers possess virtues essential for statecraft and democracy.<sup>168</sup> Farmers possessed the virtue of industriousness, because they had to work hard with their hands in order to produce farm commodities for their survival; thus they could not afford to be lazy, or they would never get their crops seeded or harvested.<sup>169</sup> Yet their industriousness was checked or tempered by virtue of the need for land stewardship; farmers could not afford to be greedy and deplete their land. Farmers also possessed the virtue of self-reliance, because they had to rely on themselves to carry out their work. However, their self-reliance could not transform into selfishness, because they ultimately depended on their neighbours for assistance during hard times, for major projects such as barn raising, and for support of ‘public goods’ (notably public schools) on which farm communities depended. For these reasons, Thompson proposes that farm communities were microclimates of virtue,<sup>170</sup> and, echoing Jefferson’s view, it follows that it was important to keep more farmers on the land.<sup>171</sup> In Canada, for many years after Jefferson, a version of agricultural exceptionalism helped to justify the

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Knutson, J.B. Penn and Barry L. Flinchbaugh, *Agricultural and Food Policy* (New Jersey: Prentice Hall, 1998), 7.

<sup>168</sup> Paul Thompson, *The Agrarian Vision: Sustainability and Environmental Ethics* (Lexington: The University of Kentucky, 2010), 78-79.

<sup>169</sup> *Ibid.*: 81.

<sup>170</sup> Thompson extends this idea by arguing that this agrarian vision might produce virtue for everyone, not just farmers. Thompson, *The Agrarian Vision: Sustainability and Environmental Ethics*, 80. The agrarian vision in practice would lead to social and environmental sustainability: “Farms, farming communities, and the agricultures that support entire civilizations are excellent models for the complex kinds of ecosocial hybrid systems that need to be sustained if our society is to achieve sustainability at all.” *Ibid.*, 11. Thompson’s agrarian vision bridges elements of the state assistance, multifunctionality (discussed below) and food sovereignty (discussed below) concepts, by emphasizing the heightened value of social and environmental consciousness that are generated by farming.

implementation of measures including grain handling and transportation regulations, farm subsidy programs, and institutions such as the CWB, discussed in the previous chapter.

Canadian political scientists have referred to the neoliberal model as the ‘market liberal paradigm’ in their studies of Canadian agriculture. To recall, the central premise of this perspective is that market forces should be allowed to shape the decisions of economic actors (investors, entrepreneurs, and workers) with as little government interference as possible. The central assumption of market liberalism is that markets are competitive environments where individuals and firms respond to market signals.<sup>172</sup> Market signals are effectively prices, which are assumed to be determined by the law of supply and demand. In their attempts to solve problems concerning the market, neoliberals allege that governments tend only to make those problems worse (i.e. government failure).<sup>173</sup> Moreover, government intervention means that governments must pick winners and losers, and may be wrong or politically biased in these choices. The more efficient and fair approach is to let market forces decide economic outcomes, while government’s only role, ideally, is to look after a country’s military defense, police, and basic infrastructure. In addition, market liberalism holds that governments, and the activities of governments, should function in accordance with market principles, in order to realize the maximum cost efficiency, an approach known as ‘new public management.’ Finally, market liberalism calls for trade liberalization. The justification for trade liberalization is the theory of comparative advantage, which holds that each individual or jurisdiction should focus on producing the things that they can produce at lower cost than

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<sup>172</sup> Skogstad, *Internationalization and Canadian Agriculture*, 21.

<sup>173</sup> Andrew Schmitz et al, *Agricultural Policy, Agribusiness, and Rent-Seeking Behaviour*, 2<sup>nd</sup> ed. (Toronto: University of Toronto Press, 2010), 43-44.

any other individual or jurisdiction.<sup>174</sup> If each individual or country does this, everyone produces more than would otherwise be the case and the goods that everyone needs exist in greater abundance, are more readily available, and can be obtained more cheaply in the marketplace. In other words, everyone is better off and no one is worse off. Trade liberalization is also justified on the basis that global competition forces domestic firms to become more efficient, by improving their operations and reducing waste. Market liberalism, therefore, calls for the dismantling of protective tariffs, and of all the subsidies and regulations associated with the state assistance paradigm.

A third policy paradigm to gain significant attention among scholars and analysts of agriculture policy in recent decades, has been the multifunctionality paradigm. The multifunctionality paradigm shares with the state assistance paradigm the view that agriculture is an exceptional sector entitled to special treatment by governments.<sup>175</sup> The justifications for ‘agricultural exceptionalism,’ however, are extended beyond the economic perils of farming (the focus of the state assistance paradigm), to broader issues of rural development, and the environmental factors associated with agricultural activity. In other words, multifunctionality recognizes that the jointness of agriculture, whereby the production of agricultural goods also produces non-commodity outputs. These non-commodity outputs constitute public goods, or externalities, which are either not valued,

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<sup>174</sup> Daniel Schwanen, “Trade Liberalization and Inequality in Canada in the 1990s,” in *The Review of Economic Performance and Social Progress*, ed. Keith Banting, Andrew Sharpe and France St-Hilaire (Center for the Study of Living Standards and the Institute for Research on Public Policy, distributed by McGill-Queen’s University Press, June 2001), 162, accessed August 18, 2012 <http://www.csls.ca/repsp/repspl.asp>.

<sup>175</sup> Grace Skogstad, “Effecting Paradigm Change in the Canadian Agriculture Sector: Toward a Multifunctionality Paradigm,” in *Health and Sustainability in the Canadian Food System: Advocacy and Opportunity for Civil Society*, ed. Rod MacRae and Elisabeth Abergel (Vancouver: University of British Columbia Press, 2012), 23.

or are undervalued, by the market.<sup>176</sup> These principles are reflected in the OECD's definition of multifunctionality: "Beyond its primary function of producing food and fibre, agricultural activity can also shape the landscape, provide environmental benefits such as land conservation, the sustainable management of renewal natural resources and the preservation of biodiversity, and contribute to the socio-economic viability of many rural areas."<sup>177</sup> Multifunctionality takes a more holistic view of agriculture, by considering the impacts of agriculture throughout the food chain.

The multifunctionality paradigm holds that governments must intervene in order to ensure the continued production of the positive non-commodity outputs, by providing farmers with financial incentives to look after the land (the 'stewardship' functions noted by Jefferson). Farming can have both positive and negative environmental impacts concerning soil health, plant and livestock biodiversity, wildlife habitats, and pollution. Farming can also have both positive and negative social impacts concerning food security, family farms, and cultural heritage. Finally, farming practices, and the nature of a regional farm economy - can have both positive and negative impacts concerning rural income and employment, and the vitality and viability of rural communities. The key to the multifunctionality paradigm is that it places values on the non-commodity functions/outputs of agriculture (social, rural development, and environmental), it recognizes that the market will not generate those outputs on its own, and it rewards

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<sup>176</sup> Moyer, Wayne and Timothy Josling, *Agricultural Policy Reform: Politics and Process in the EU and US in the 1990s* (Aldershot: Ashgate, 2002), 32.

<sup>177</sup> Leo Maier and Mikitaro Shonayashi. *Multifunctionality: Towards An Analytical Framework*, Paris: Organization for Economic Co-operation and Development, Agriculture and Food, 2001), 9, accessed September 17, 2012, [http://www.pebls.org/files/Publications/OECD/OECD\\_Multifunctionality%20towards%20an%20analytical%20framwork.pdf](http://www.pebls.org/files/Publications/OECD/OECD_Multifunctionality%20towards%20an%20analytical%20framwork.pdf).

farmers with payments for undertaking production practices that are deemed to be positive.<sup>178</sup>

Under the multifunctionality paradigm, the payments made to farmers are conditional on their adherence to certain production practices. The policy prescription for the multifunctionality paradigm might look as follows: 1) the decoupling of farm subsidy payments from production<sup>179</sup>; 2) farmers must comply with regulatory standards in order to qualify for payments; 3) public funding for rural development is increased; 4) maximum payment levels per farm would be capped, in order to discourage the proliferation of larger farms which are assumed to generate more negative social, rural development, and environmental outcomes; and, 5) policy decision making regarding multifunctionality goals concerning social, rural development, and environmental, should be decentralized.<sup>180</sup> There is no one single model of multifunctionality, and indeed it has been implemented in different ways and to varying degrees in jurisdictions that include Norway, Japan, and the European Union (EU).

During the 1990s and 2000s the EU carried out a series of policy reforms that reshaped the Common Agricultural Policy (CAP) according to multifunctionality principles. The main objective was to “(re-)establish the CAP’s legitimacy with the

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<sup>178</sup> Guido Van Huylenbroeck, Valerie Vandermeulen, Evy Mettepenningen, and Ann Verspecht, “Multifunctionality of Agriculture: A Review of Definitions, Evidence and Instruments,” *Living Review Landscape Research* 1, no.3 (2007): 16-21, accessed September 17, 2012, <http://landscaperesearch.livingreviews.org/Articles/lrlr-2007-3/download/lrlr-2007-3Color.pdf>.

<sup>179</sup> While proponents of the market liberal paradigm also favour decoupling, it is for different reasons. Whereas the market liberal paradigm calls for decoupling in order to ensure that farmers make decisions based on market signals rather than anticipated program benefits, the multifunctional paradigm calls for decoupling in order to prevent over production, which caused negative environmental impacts.

<sup>180</sup> Skogstad, “Effecting Paradigm Change in the Canadian Agriculture and Food Sector: Toward a Multifunctionality Paradigm,” 23.

European public and foreign countries.”<sup>181</sup> The establishment of the WTO as well as internal budget crises required the reduction of EU tariffs and subsidies. Also, Europeans began to demand that agriculture not harm the environment, and that food safety be made a priority. Finally, there emerged a growing sensitivity among the European populace and policy makers regarding the role of conventional agriculture in contributing to poverty and food security<sup>182</sup> issues in developing countries. In a word, the Directorate-General for Agriculture of the European Commission came to believe that continued public support for the CAP was contingent on the implementation of multifunctionality reforms. As a result, two overarching changes were made. First, farm subsidy programs were overhauled: price support programs were replaced with decoupled direct payments, and payments were dependent on compliance with regulations pertaining to the environment, animal health, welfare, and food safety. Second, mechanisms designed to promote tourism, culture, and recreation in rural areas, were incorporated into agriculture policy. The EU initially attempted to have multifunctionality incorporated into the WTO, but this effort failed in the face of opposition from countries pushing for freer trade in agricultural products (notably the US, and Australia).

According to Skogstad, significant policy reform in Canadian agriculture began in the late 1980s. The state assistance paradigm came under severe criticism when rising expenditure levels were deemed to be too onerous in light of a developing budgetary

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<sup>181</sup> Ibid., 25.

<sup>182</sup> Food security is currently defined as is currently defined as a situation where “all people, at all times, have physical, social, and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life.” *Declaration of the World Food Summit on Food Security*, World Food Summit on Food Security, Food and Agriculture Organization of the United Nations, Rome, 16-18, November 2009, 1, accessed on March 25, 2010, [http://www.fao.org/fileadmin/templates/wsfs/Summit/Docs/Final\\_Declaration/WSFS09\\_Declaration.pdf](http://www.fao.org/fileadmin/templates/wsfs/Summit/Docs/Final_Declaration/WSFS09_Declaration.pdf).



crisis.<sup>183</sup> The market liberal paradigm was being promoted by agricultural economists, conservative partisans, and think tanks, while the multifunctionality paradigm was being promoted by interests within the European Union and some domestic farm groups who were attracted by the European model.<sup>184</sup> Skogstad notes that Canadian policy makers leaned toward the market liberal paradigm because it provided a better fit with the ‘monetarist’ macroeconomic policy being adopted by the federal government, and they were suspicious that EU officials were simply attempting to justify the continued use of rich subsidies for their farmers. As a result, the reforms undertaken in Canadian agriculture included a shift to decouple direct payments from price support programs, the termination of transportation subsidies (Crow Benefit) in western agriculture, the end of the dairy subsidy, and a change in the governance structure of the Canadian Wheat Board.

Despite these policy changes, however, Skogstad has concluded that paradigm change has not occurred in Canadian agriculture.<sup>185</sup> Hall’s four necessary circumstances have not materialized. While the state assistance paradigm did come under severe criticism and the market liberal paradigm did indeed serve as a viable rival paradigm, events did not transpire to the degree necessary for a paradigm shift. Instead, Canada’s agriculture policy more closely resembles Hall’s description of incremental change, and is a composite of the three paradigms discussed above. Policy makers have been content to hold onto elements of the state assistance paradigm, and adopt elements of the market liberal and multifunctional paradigms. The elements of the state assistance paradigm that remain include supply management in dairy, poultry, and eggs, and the CWB in the

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<sup>183</sup> Skogstad, *Internationalization and Canadian Agriculture*, 59-60.

<sup>184</sup> Ibid.

<sup>185</sup> Ibid., 241-259.

western grains sector (at the time of her study); elements of the multifunctionality paradigm include initiatives to realize public goods such as incentives for farmers to protect sensitive lands<sup>186</sup>; and, elements of the market liberal paradigm include decoupled, direct payment farm subsidy programs and the end of export subsidies.

### ***3.2.2. Policy Communities and Policy Networks***

Political scientists examining Canadian agriculture policy have also employed an institutionalist approach that focuses on the interactions between domestic interests and public institutions, and the character of the relationships between state and non-state actors in determining policy outcomes. The concepts used to understand these dynamics are known as ‘policy communities’ and ‘policy networks.’ Coleman and Skogstad define a policy community as all actors, public and private, with varying levels of influence in a specific policy area, with a direct or indirect interest in shaping its development.<sup>187</sup> According to Paul Pross, the policy community is comprised of government agencies, pressure groups, members of the media, academics, and other individuals who have an

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<sup>186</sup> It should be noted, however, Skogstad stresses that the multifunctionality elements are relatively minimal by comparison. Policy mechanisms that some may claim, or mistake, to be elements of multifunctionality, are actually not, upon closer examination. For instance, the federal government has described food safety as being of greater concern in recent years, however, it is brought principally as a way to improve the competitiveness of Canada’s agricultural products. Nor has Canada’s biofuels policy been principally aimed at achieving environmental objectives; there is no requirement in Canada that biofuels meet environmental sustainability criteria such as reducing GHG emissions or do not undermine biodiversity. Canadian policy makers have not yet had to construct a new legitimation for government support for agriculture. Moreover, farm subsidy payment levels, while climbing, have not reached EU levels, and food safety and environmental concerns have not reached crisis levels among the Canadian populace. Grace Skogstad, “Effecting Paradigm Change in the Canadian Agriculture and Food Sector: Toward a Multifunctionality Paradigm,” 31.

<sup>187</sup> William Coleman and Grace Skogstad, “Policy Communities and Policy Networks: A Structural Approach,” *Policy Communities and Public Policy in Canada: A Structural Approach*, ed. William Coleman and Grace Skogstad (Mississauga, Copp Clark Pittman Ltd., 1990), 25.

interest and willingness to influence a particular policy field.<sup>188</sup> Integration within a policy community is determined by boundary rules and the sharing of beliefs, values, and norms.<sup>189</sup> Pross divides policy communities into two parts: the ‘attentive public’ and the ‘sub-government.’

The sub-government is actively engaged in policy design or implementation. Thus, it is “the policy-making body of each community.”<sup>190</sup> Given that only entities equipped with adequate resources can serve in this role, by and large it is made up of small groups of people belonging to government agencies and institutionalized interest groups.<sup>191</sup> The attentive public monitors developments and may attempt to influence them, but does not participate directly in the policy development process. The attentive public can include interest groups, private institutions, government agencies, and various types of individuals such as journalists, consultants, and academics.<sup>192</sup> These actors follow the developments out of interest and/or because of the perception that they will be directly affected by the outcomes. Their main function is to engage in a perpetual policy review process.<sup>193</sup> Through their conferences, study sessions, journals, newsletters, and magazines, the attentive public maintains an element of diversity within the policy community that the sub-government does not possess given its need to maintain consensus.

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<sup>188</sup> Paul Pross, *Group Politics and Public Policy*, 2nd ed., (Toronto: Oxford University Press, 1992), 119.

<sup>189</sup> William D. Coleman and Anthony Perl, “Internationalized Policy Environments and Policy Network Analysis,” *Political Studies* 47, no. 4 (1999): 695.

<sup>190</sup> Pross, *Group Politics and Public Policy*, 120.

<sup>191</sup> *Ibid.*, 120-121.

<sup>192</sup> *Ibid.*, 121.

<sup>193</sup> *Ibid.*, 122.

Pross describes the policy network as the relationships among the public and private actors that form around an issue of importance to the policy community.<sup>194</sup> Coleman and Skogstad define policy networks as “the structural or power relationship between the actors in the sub-government of the policy community.”<sup>195</sup> How power is shared and the way other resources are distributed among the community members, generate different types of policy networks. Policy deliberations take place within policy networks and the type of network has a direct impact on policy outcomes. Scholars have used policy network typologies to explain how the character of the relationships between state and non-state actors explain different policy outcomes in different sectors or political units. Typologies serve to characterize and categorize policy making structures for comparison between different political units and policy sectors. Policy network typologies are ultimately determined through an examination of a policy community that considers three main factors: 1) whether state or societal actors are dominant; 2) whether this is a power-sharing relationship between state and non-state actors; and, 3) the character of the power-sharing relationship, if any exists.<sup>196</sup> Scholars identify three broad types of policy networks: pluralist, closed, and state-directed.

Pluralist networks tend to emerge in sectors where state authority is less centralized and where interest groups are less organized. In this context, the state is unable to coordinate its interactions with multiple, narrow, specialized groups. Thus, these groups end up competing for attention from state actors, and the relationships

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<sup>194</sup> Ibid., 119.

<sup>195</sup> Coleman and Skogstad, “Policy Communities and Policy Networks: A Structural Approach,” 26.

<sup>196</sup> Ibid., 21-22; Coleman and Perl, “Internationalized Policy Environments and Policy Network Analysis,” 696; Rodney Haddow, “Interest Representation and the Canadian State: From Group Politics to Policy Communities and Beyond,” in *Canadian Politics*, ed. James Bickerton and Alain G. Gagnon (Peterborough: Broadview Press, 1999), 507.

between state and societal actor tend to be bilateral in character.<sup>197</sup> Situations where the state agencies remain autonomous and the interest groups play an advocacy role are termed ‘pressure pluralism.’ An example is the prairie farm community, where various groups compete to represent farmers and for the attention of policy makers. In these settings, policy makers are more capable of imposing sudden, dramatic policy changes. Closed policy networks involve sectors where state decision-making capacity is concentrated and well organized within a long-standing single agency. In addition, organized interests are also highly developed associational systems that enjoy a near monopoly relationship with the dominant state agency. In ‘corporatist networks’ “two or more organized interests representing conflicting producer or consumer groups participate with the state in the formulation and implementation of policy.”<sup>198</sup> These situations usually arise when a group believes that its very viability is threatened by impending social or economic change. It responds by developing a very strong associational system in order to defend its interests. The state then brings the group into the policy arena in order to develop a policy compromise. The other type of closed network is referred to as ‘concertation,’ which describes a situation where a single strong associational group works with a single well-organized state agency in the development of policy. In this context, all other groups in the sector are very weak by comparison.

In their comparative study of the agriculture policy, Coleman and his colleagues employed policy network typologies in order to explain policy outcomes in the Canadian agriculture sector. They argued that corporatist networks were more resistant to paradigmatic policy change as a result of pressures exerted by exogenous forces (i.e.

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<sup>197</sup> Coleman and Skogstad, “Policy Communities and Policy Networks: A Structural Approach,” 28.

<sup>198</sup> Ibid.

international trade agreements), than pluralist networks.<sup>199</sup> The prairie grains sector closely resembled a pressure pluralist policy network, because farm groups were divided along ideological lines, and competed both for members and the favour of governments.<sup>200</sup> Moreover, there existed no peak, umbrella organization to aggregate their interests vis-à-vis governments. At the regional level the Western Canadian Wheat Growers Association (WCWGA) and Western Barley Growers Association (WBGA) represented the market-liberal side of the spectrum, which pitted them against the three prairie wheat pools, which upheld state assistance principles. At the national level the Canadian Federation of Agriculture (CFA) and National Farmers Union (NFU) purported state assistance principles, with the latter taking a more radical, militant approach than the former.

Coleman and his co-authors argued that the pluralism within the grains sector left it unable to resist external pressures to terminate the Western Grain Transportation Act (WGTA), and the associated railway subsidy known as the Crow Benefit, and negotiate the process for change.<sup>201</sup> Similarly, it was unable to contain the external pressures to end the CWB's single desk in the mid-1990s, which saw the debate spill out of the pressure pluralist network and into the legal and political partisan arenas. The authors predicted that if the CWB's single desk were to ever be terminated, it would be externally imposed and there would be no negotiation regarding the process of change, as was the case with the WGTA.<sup>202</sup> With respect to income support and stabilization policies, the authors

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<sup>199</sup> Coleman, Skogstad, and Atkinson, "Paradigm Shifts and Policy Networks: Cumulative Change in Agriculture," 288-289.

<sup>200</sup> *Ibid.*, 285.

<sup>201</sup> *Ibid.*, 285-288.

<sup>202</sup> *Ibid.*, 286.

found that although the federal government created corporatist type policy networks in order to negotiate program changes in the late 1980s and early 1990s, the arrangements ultimately broke down when further changes were required and farm groups and the provinces began to break away from consensus-building in order to pressure for their own interests.<sup>203</sup> As a result, the federal government was able to impose drastic cuts to program funding in 1995.

By contrast Coleman and his colleagues found that a permanent comprehensive corporatist policy network was present in the dairy sector.<sup>204</sup> A government-appointed state agency, the Canadian Dairy Commission (CDC), coordinated supply management policies in concert with provincial dairy officials and industry representatives.<sup>205</sup> This network allowed farm groups and provincial governments to focus on finding a solution for the sector as a whole, rather than on their own specific interest. Despite the fact that supply management came under tremendous exogenous pressure for reform, the network was able to negotiate changes that did accommodate some market liberal demands but nonetheless remained anchored on the principles of state assistance.<sup>206</sup> For instance, while changes to the administered pricing system made farmers less insulated from market pressures and processors gained access to dairy ingredients at US-competitive prices due to the reduction of prices for lower classes of milk, the core instruments of production controls and administered pricing remained intact.<sup>207</sup>

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<sup>203</sup> Ibid., 287-288.

<sup>204</sup> Ibid., 291.

<sup>205</sup> Ibid.

<sup>206</sup> Ibid., 291-294.

<sup>207</sup> Ibid., 293-294.

### 3.2.3. *Path Dependence*

A final institutionalist approach that has been used to explain policy outcomes in Canadian agriculture in the face of market liberal reformist pressures, is ‘path dependence.’ Adrian Kay defines path dependence as the idea that initial moves in a specific direction within an organization or institution tend to generate subsequent moves in the same direction.<sup>208</sup> Pierson argues that path dependence possesses an important dynamic known as ‘increasing returns,’ from the economics literature:

The probability of further steps along the same path increases with each move down that path. This is because the relative benefits of the current activity compared with other possibility options increase over time. To put it a different way, the costs of exit – of switching to some previously plausible alternative – rise.<sup>209</sup>

Path dependence is, thus, an organizational process driven by self-reinforcing mechanisms known as ‘policy feedback.’ Policy feedback refers to the institutional incentives, resources, and social learning that encourage people to focus on maintaining the status quo.<sup>210</sup> The underlying point is that the policy reform is a distinct process, not simply a mirror image of policy implementation. The political contexts for policy implementation and policy reform are completely different, as described below.

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<sup>208</sup> Adrian Kay, *The Dynamics of Public Policy: Theory and Evidence* (Northampton: Edward Elgar Publishing Limited, 2006), 29.

<sup>209</sup> Paul Pierson, “Increasing Returns, Path Dependency, and the Study of Politics,” *American Political Science Review* 94, no. 2 (June 2000): 252.

<sup>210</sup> Paul Pierson. “When Effect Becomes Cause: Policy Feedback and Political Change,” *World Politics* 45 (July 1993); Paul Pierson, *Dismantling the Welfare State? Reagan, Thatcher and the Politics of Retrenchment*, Cambridge Studies in Comparative Politics (Cambridge: Cambridge University Press, 1994).



Policy feedback is generated from the actions of organized interests, referred to as ‘interest group effects’ in the literature. Interest group effects refers to the mobilization of a certain segment of society in order to defend, or push for the expansion of, a public policy that delivers it a direct material benefit. The programs distribute resources, such as financial benefits or increased access to decision makers, which can be marshaled by its beneficiaries for its defense. While similar to the ‘rent-seeking behaviour’<sup>211</sup> concept employed by economists, the ‘interest group effects’ concept draws particular attention to the way that powerful social and economic networks tend to form around certain policy instruments, once they are established. In effect, the policy mechanism becomes part of the identity of its beneficiaries. Governments are highly loath to risk backlash from the policy beneficiaries and sympathizers at election time. By contrast, program elimination involves “the imposition of concrete losses on a concentrated group of voters in return for diffuse and uncertain gains.”<sup>212</sup> This dynamic is especially acute in policy areas where the removal of a program “imposes tangible losses on concentrated groups of voters,” such as in the areas of welfare provision or agricultural subsidization.<sup>213</sup> Therefore, governments will attempt to reframe the issue, undertake retrenchment in some less visible matter, and/or engage in blame avoidance. Retrenchment involves attempts to minimize opposition through such techniques as divide-and-conquer (farm interest groups), compensation (of those who benefitted from subsidies), and stealth.<sup>214</sup>

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<sup>211</sup> Rent Seeking Behaviour refers to “the activity of influencing the political process in order to obtain favourable outcomes or avoid unfavourable ones.” Schmitz et al, *Agriculture Policy, Agribusiness and Rent Seeking Behaviour*, 45.

<sup>212</sup> Paul Pierson. *Dismantling the Welfare State? Reagan, Thatcher and the Politics of Retrenchment*, 8.

<sup>213</sup> Paul Pierson, “The New Politics of the Welfare State,” *World Politics* 48, no. 2 (Jan., 1996): 145.

<sup>214</sup> Paul Pierson, *Dismantling the Welfare State? Reagan, Thatcher and the Politics of Retrenchment*, 19-26.

Policy feedback is also generated from the preexisting knowledge and competencies of political actors and state officials, known as ‘learning effects’ in the literature. Learning effects refers to the way that policy makers and the established state apparatus tend to confront new policy problems using already existing policy frameworks, which results in only small adjustments in order to accommodate the distinctive features of the new situation.<sup>215</sup> These frameworks are also referred to as mental maps, which are used by political actors to filter information about policy problems. Pierson argues that mental maps tend to be biased towards well-established ideas based on the professional competencies and knowledge base of political actors and government officials, which results in their gravitation toward confirming information and filter out disconfirming information.<sup>216</sup> In other words, political actors tend to focus heavily on the elements of new policy problems that seem familiar, and favour responses similar to ones taken in the past. Conversely, a lack of expertise in a given area (e.g. business planning, or marketing) may limit the ability of staff to contribute effectively to new policy initiatives. Therefore, mental maps tend to generate continuity and incrementalism. Alexander Wendt points out that a similar dynamic takes place at the group level, where networks become shaped by shared knowledge and traditional practices, which results in social inertia.<sup>217</sup> Thus, learning effects means that once a policy direction is taken, the range of possible options is instantly narrowed, or at least the possibility of a radical change of direction is rendered more difficult.

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<sup>215</sup> Paul Pierson, “When Effect Becomes Cause: Policy Feedback and Political Change,” 612-13.

<sup>216</sup> Paul Pierson, *Politics In Time: History, Institutions, and Social Analysis* (Princeton: Princeton University Press, 2004), 39.

<sup>217</sup> Alexander Wendt, *Social Theory of International Politics* (Cambridge: Cambridge University Press, 1999), 184-89.

James Mahoney identified four potential mechanisms of institutional reproduction: power, utilitarian, functionalist, and legitimation. The power mechanism refers to the social actors that benefit from said institution, and which are sufficiently powerful to promote its preservation and mount an effective defense.<sup>218</sup> In this scenario change would be possible if the beneficiaries became weakened and opposing actors became stronger within a policy system. The utilitarian mechanism involves a rational cost-benefit calculation by the beneficiaries of an institution, which leads them to the conviction that the benefits of the institution outweigh the costs of transformation.<sup>219</sup> The certainty of the familiar and sunk costs (the investment of resources required to learn the rules and norms of new institutions or scenarios, and adjusting behaviour accordingly), preferred to negotiate adjustments to the institution. The process of change here would involve a situation where the beneficiaries no longer possess the self-interest to reproduce the institution, due to increased competitive pressures that cause the beneficiaries to perceive the costs of change worth enduring. The functionalist mechanism for institutional reproduction refers to an assessment by policy makers that the institution serves an important function for the overall system, which leads to its consolidation and/or expansion.<sup>220</sup> In this scenario, change would come about via an exogenous shock, which transforms the needs of the system and creates a critical juncture where a new course may be taken.<sup>221</sup> Finally, the legitimation mechanism is normative in nature, and

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<sup>218</sup> James Mahoney, "Path Dependence In Historical Sociology," *Theory and Society* 29, 4 (August 2000): 521.

<sup>219</sup> *Ibid.*, 517-19.

<sup>220</sup> *Ibid.*, 519-521.

<sup>221</sup> Institutional scholars have focused considerable attention on the role of external shocks and critical junctures. External shocks disrupt the equilibrium within a policy system and the conditions that have helped to sustain the status quo, effectively destabilizing existing policies and/or institutions. These moments of instability are critical junctures where new policy paths may be adopted. Such

involves the reproduction of the institution because the actors involved perceive the institution as legitimate (morally just) and thus voluntarily choose to preserve it.<sup>222</sup> The legitimation function is the result of a positive feedback cycle whereby the initial precedent for the appropriate course that established the institution becomes the basis for future decisions about appropriate measures. Here the mechanism for change would be changes in the values or beliefs of the actors involved.

In her study of the Canadian Wheat Board (CWB) reforms carried out in the late 1990s, Skogstad argued that a combination of path dependency dynamics and the crucial role of key actors, ensured that the reforms were mid-level in scope; beyond incremental change, but short of ground breaking paradigmatic change. Employing the mechanisms of institutional reproduction developed by Mahoney above, Skogstad argued that as a utilitarian-based institution (it was created to yield material value for farmers), the CWB was able to undergo strategic structural adaptation in the face of exogenous pressure for reform. In order to meet new needs of its prairie farmer clientele, the CWB made a trade-off. It gave up the principle of equity between farmers through price pooling by introducing various pricing options for farmers, but maintained its single desk in order to preserve market power for prairie farmers.<sup>223</sup> The CWB and its supporters calculated that the latter was crucial to its survival, while the former offered farmers more avenues for choice in marketing their grain. Structural adaptation was possible, for a time, as a result

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shocks can include economic changes or crises (e.g., the financial crisis of 2008, or the oil price ‘shock’ of the early 1980s), budgetary crises, policies adopted in other countries, the establishment of trade agreements such as NAFTA, as well as systemic factors such as shifts in political power and changes in policy network structures. Often a destabilizing factor(s) will also require propitious timing or the right sequence of events in order for a policy window to open and a significant change to occur.

<sup>222</sup> Mahoney, “Path Dependence In Historical Sociology,” 523-525.

<sup>223</sup> Grace Skogstad, “The Dynamics of Institutional Transformation: The Case of the Canadian Wheat Board,” *Canadian Journal of Political Science* 38, no. 3 (2005): 544.

of the CWB's capacity to defend itself and its political support. Skogstad also emphasized the importance of political agency and the role of normative discourse in this debate. The coalitions of actors on both sides of the debate marshalled expert opinion in order to construct a normative discourse that supported their position regarding the future of the CWB. Once Agriculture Minister, Ralph Goodale, became persuaded by the normative discourse advanced by the pro-CWB single desk coalition, he played a crucial role in steering the process of adjustment. His actions can be contrasted with those of former Agriculture Minister, Charlie Mayer, who simply stripped the CWB of its monopoly to sell barley into the continental market in 1989, based on his acceptance of the anti-CWB coalition's main arguments. Skogstad concluded that it was possible to modify some core policy instruments, without imperilling others, and thus avert paradigm change.<sup>224</sup>

### **3.3. The Political Economy Critique**

Institutionalist analyses of change in Canadian agriculture have contributed several important insights into the political dynamics through which policy changes are promoted and accomplished (e.g., changes in the makeup of policy communities and networks, the creation and funding of new interest groups), as well as institutional dynamics that have acted as brake against faster or more radical change (e.g. path dependence). However, although this work, especially some of the empirical studies, has enhanced our understanding of the *processes* of institutional change (as well as resistance to it), it is necessary at this juncture to propose that there are important social and political questions

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<sup>224</sup> Ibid., 545.

that the institutionalist framework, as outlined above, is not well equipped to address. These include questions about who has benefited from market liberal reforms (corporatization, privatization) in agriculture, questions about the root causes of the income problems that continue to plague many farmers, and finally questions about the viability of our rural communities and about the health and safety of the food that we eat. These are questions that do not arise if one limits his/her focus to agricultural economics, to political calculations about winning the farm vote, or to the institutional dynamics through which changes in public policy are accomplished or resisted.

However, these questions – about power relationships (and who gains and who loses from particular policy changes), and about the social and environmental impacts of changes in how food is produced - are precisely the sorts of questions that have been raised by scholars associated with the political economy tradition. Political economists, have historically focused on the challenges of developing Canada’s natural resources in a way that maximizes the benefits to Canadian workers and taxpayers, and the challenges of building a sustainable Canadian economy, one that is not dominated by US or transnational corporations and is not dependent on US or transnational capital. Political economists were critical of broad directions recommended by the Macdonald Report, and political economists were opposed to the Canada-US Free Trade Agreement and to NAFTA.<sup>225</sup> There are several political economists who have written extensively on agriculture and on the agri-food sector, and, in the economic realm, these scholars have focused on the power relationships between transnational corporations (TNCs) and

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<sup>225</sup> Susan Strange, *The Retreat of the State: The Diffusion of Power in the World Economy* (Cambridge, Cambridge University Press, 1996); Bruce Wilkinson, “Trade Liberalization, the Market Ideology, and Morality: Have We A Sustainable System?,” in *Political Economy of North American Free Trade*, ed. Ricardo Grinspun and Maxwell A. Cameron (New York: St. Martin’s Press, 1993), 27-44; Gary Teeple, *Globalization and the Decline of Social Reform: Into the Twenty-First Century*, (Amherst, New York: Humanity Books, 2000).

farmers, both in Canada and other developed countries and in the developing countries as well, where land reform and peasant agriculture present a different set of challenges.<sup>226</sup> Some of this work has investigated the strategies and activities of agribusiness TNCs, in attaining control over land, and control over markets within the agriculture sector, in both developed and developing countries alike. These scholars have emphasized that both society and the environment have suffered tremendous damage as a result of the activities of these TNCs. The section below outlines some of the key concepts employed by these scholars.

### ***3.3.1. Oligopolies and the Hourglass Figure***

The political economy approach examines the relationships between economic and political processes, and their effect on society. Political economy pays particular attention to the class relations between those who own the means of production and those who do not, and are constrained to work for the former. In the area of agri-food, the focus is on the relationship between transnational agribusiness corporations on the one hand, and those who produce the raw materials of food (i.e. farmers who grow grains or raise animals) and also those who buy food in supermarkets and other stores. The political economy literature rejects the notion common in the economics literature that

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<sup>226</sup> Anthony Winson, *The Intimate Commodity: Food and the Development of the Agro-Industrial Complex in Canada*; Roger Epp and Dave Whitson, "Introduction: Writing Off Rural Communities," in *Writing Off the Rural West: Globalization, Governments, and the Transformation of Rural Communities*, ed. Roger Epp and Dave Whitson (Edmonton: University of Alberta Press, 2001), XIII-XXXV; Darrin Qualman, "Corporate Hog Farming: The View From the Family Farm," in *Writing Off the Rural West*, ed. Roger Epp and Dave Whitson (Edmonton: University of Alberta Press, 2001), 21-38; Deborah Barndt, "Introduction: In the Belly of the Beast: A Movable Feast," in *Women Working the NAFTA Food Chain: Women, Food, and Globalization* (Toronto: Sumach Press, 1999), 13-34; Harriet Friedmann, "Remaking "Traditions: How We Eat, What We Eat and the Changing Political Economy of Food," in *Women Working the NAFTA Food Chain: Women, Food, and Globalization* (Toronto: Sumach Press, 1999), 35-60.

markets are normally competitive, and that this competition benefits all parties. Instead, political economy holds that markets are fundamentally unequal and prone to crisis, and that the ‘marketplace’ must be understood in terms of the power relationships that structure how particular goods (in this case, meats and grains, and other agricultural products) are produced, processed, and sold.

A prominent argument in the political economy of agri-food literature is that the agri-food sector is dominated by very few, giant transnational corporations (TNCs), to the detriment of the rest of society and the environment.<sup>227</sup> These TNCs are described as ‘oligopolies,’ which means that their degree of control over particular agricultural markets is such that they have the capacity to determine prices, both for farm inputs (as monopoly providers of seed grains and fertilizers) and farm outputs (as monopsonies, or the only available purchasers of the goods and services that farmers produce). It also means that they possess the ability to control access to their sub-sector within the agri-food system by limiting competition, thus making farmers pay what they charge for farm inputs, and making farmers accept the prices they offer for farm outputs. An analogy employed to illustrate the relationship between TNCs on the one hand, and farmers and consumers on the other, is the ‘hourglass figure.’<sup>228</sup> Many farmers are separated from many consumers by a bottleneck consisting of relatively few TNCs that dominate food

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<sup>227</sup> John Warnock, *Profit Hungry: The Food Industry in Canada* (Vancouver: New Star Books, 1978); Harriet Friedman, “The Political Economy of Food: A Global Crisis”, in *New Left Review* 1, no. 197 (January-February 1993); Friedman and McMichael, “Agriculture and the State System: Rise and Fall of National Agricultures, 1870 to the Present,” 93-117; Phillip McMichael, *The Global Restructuring of Agro-Food Systems* (Ithaca, NY: Cornell University Press, 1994); Anthony Winson, *The Intimate Commodity: Food and the Development of the Agro-Industrial Complex in Canada*; Raj Patel, *Stuffed and Starved: The Hidden Battle for the World’s Food System*; Tony Weis, *The Global Food Economy: The Battle for the Future of Farming* (Winnipeg: Fernwood Publishing, 2007).

<sup>228</sup> Patel, *Stuffed and Starved: The Hidden Battle for the World’s Food System*; Weis, *The Global Food Economy: The Battle for the Future of Farming*.



processing, transportation, and distribution. TNCs employ concentration strategies known as ‘horizontal integration’ and ‘vertical integration,’ in order to increase their control over specific markets (e.g. seeds and herbicides, or meat packing) and their overall dominance within the agri-food system.

### **3.3.2. *Horizontal and Vertical Integration***

William D. Heffernan defines horizontal integration as the expansion of a firm within the same stage of the agri-food system, to other geographic areas.<sup>229</sup> Agribusiness TNCs have spread their operations across the entire globe. Heffernan argues that TNCs may overrun a firm in a different geographic region by using a strategy of ‘cross-subsidization.’ This is when an oligopolistic corporation uses its wealth in order to capture market share in a new geographic region, by undercutting the prices of its locally based competitors.<sup>230</sup> The TNC simply uses its wealth (acquired elsewhere, typically in larger or richer markets) to subsidize losses in new markets, until it has driven its competitors out of business. TNCs can also move into new geographic regions either through mergers or acquisitions involving local firms. The obvious advantage of eliminating rival firms in a new geographic location, is that all suppliers and buyers must subsequently deal with the single oligopolistic firm. This control allows the oligopolistic firm to alter its price levels much higher than the market would otherwise bear. Alternatively, the oligopoly could lower the prices that it pays to suppliers. The arbitrary

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<sup>229</sup> William D. Heffernan, “Agriculture and Monopoly Capital,” *Monthly Review: Hungry Profit*, ed. Fred Magdoff, Frederick H. Buttel, and John Bellamy Foster 50, no. 3 (July/ August 1998), 49.

<sup>230</sup> William D. Heffernan. “Agriculture and Monopoly Capital,” 51-52.

manipulation of price in order to maximize profits is known as ‘predatory pricing.’<sup>231</sup> It is important to point out that predatory pricing effectively means that the price mechanism of economic orthodoxy (in which prices are determined by supply and demand) no longer functions; in other words the discipline of competition no longer exists in that specific sector of the market. The result for farmers, typically, is higher input prices and/or lower prices for their farm commodities. A good example of horizontal integration is the case of Cargill in the livestock feed sector, which has expanded its operations from the United States into Canada, Argentina, Brazil, Guatemala, El Salvador, and Honduras.<sup>232</sup>

Heffernan defined ‘vertical integration’ as a process whereby a single TNC gains ownership of operations in several stages of a commodity production system. Vertical integration allows TNCs to gain more control of the agri-food supply chain, because of their ability to coordinate and manage the material changes of the commodities from one form to another (e.g. from barley to bacon, or from durum wheat to pasta). This allows the TNC to control the quantity, quality, and price of the operations of each stage of the agri-food system.<sup>233</sup> The magnitude of control is much higher in this context and gives the firm great leverage over direct producers, and also over national governments.<sup>234</sup> Vertical integration also allows the agribusiness firm to completely dominate the production processes by which many forms of processed food are brought to market. In extreme vertical integration the agribusiness corporation owns the production of inputs

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<sup>231</sup> Mitchell, *The Politics of Food*, 35; Ingolf Vogeler, *The Myth of the Family Farm* (Boulder: Westview Press, 1981), 110.

<sup>232</sup> Roger Burbach, and Patricia Flynn, *Agribusiness in the Americas* (New York: Monthly Review Press, 1980), 257.

<sup>233</sup> Heffernan, “Agriculture and Monopoly Capital,” 49.

<sup>233</sup> *Ibid.*, 51-52.

<sup>234</sup> *Ibid.*, 55.

and the facilities for the transforming this ‘raw material’ into processed food outputs. In this situation the farmer is at the mercy of the agribusiness corporation, which is then able to set the prices of the inputs, and of the handling of the outputs.<sup>235</sup> If a TNC gains the control of several sectors within a single country’s agri-food system, it possesses a correspondingly greater ability to influence government policies and regulations.

Many agribusiness TNCs engage in both horizontal and vertical integration, in order to maximize their control.<sup>236</sup> For instance, Cargill has operations in both livestock feed and beef production in North America. Cargill maintains a significant level of horizontal integration in the animal feed trade in Canada and the US, enabling it to control animal feed prices. In addition, Cargill is also one of the top beef producers in both countries, giving it oligopolistic power in both markets. Therefore, Cargill’s beef cattle consume the animal feed that it controls, which gives it enormous power in the entire beef production chain.<sup>237</sup>

### ***3.3.3. The Technology Treadmill and the Cost-Price Squeeze***

Given their position in the food chain between the relatively few TNCs both upstream and downstream in the food chain, farmers are thus caught in a ‘cost-price squeeze.’ Mitchell argues that the cost-price squeeze is a dynamic that has resulted from the introduction of mechanization and new technologies into the farm production process, and the specialization of farm commodity production in the post-1950 era. He describes

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<sup>235</sup> Ibid.

<sup>236</sup> Mitchell, *The Politics of Food*, 35.

<sup>237</sup> Heffernan, “Agriculture and Monopoly Capital,” 53.

the cost-price squeeze as a situation where a farmer's costs for producing a commodity(s) approaches, or surpasses, the total gross returns he/she receives from the sale of that commodity(s).<sup>238</sup> Given that grain farmers specialize in the production of certain commodities (e.g. canola, feed barley), their production cannot be differentiated in the marketplace (farm A cannot claim that his/her canola is superior to farmer B's canola). Therefore, grain farmers (and primary livestock producers) are price takers, and must accept whatever market price is available when they market their farm commodities. Given that market prices are similar for all farmers who produce the same commodities, the only way to increase profits is to adopt new technologies that increase production relative to other farmers.

The cost-price squeeze is largely a consequence of the 'technology treadmill,' developed by Willard Cochrane.<sup>239</sup> According to Cochrane the first adopters of a new technology are the ones who realize significant economic gains, through increased production at prices dependent on the volume of production generated by the old technology.<sup>240</sup> Cochrane points out, however, that the gains of these early adopters last only as long as it takes commodity prices to be driven down, as more and more other farmers also adopt the new technology. Lower commodity prices mean that farmers are compelled to find ways to increase production still further. Therefore, farmers are compelled to race to adopt the next new technology, in order to stay ahead of the

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<sup>238</sup> Mitchell, *The Politics of Food*, 18.

<sup>239</sup> Willard Cochrane, *The Development of American Agriculture: A Historical Analysis* (Minneapolis: University of Minnesota, 1993); Richard A. Levins and Willard W. Cochrane, "The Treadmill Revisited," *Land Economics* 72, 4 (November 1996): 550-553.

<sup>240</sup> Michael D. Boehl, Steven L Hofing, and R. Christopher Schroeder, "Farming In The 21<sup>st</sup> Century," Department of Agricultural Economics, Purdue University, Ag Education & Consulting, LLC (August 31, 1999), 1.

declining real prices.<sup>241</sup> However, the race to adopt new technology generates yet another compulsion for the farmer. The constant adoption of new technology requires the constant need to expand the farming operation. The attainment of more land is necessary in order to realize economies of scale, by spreading costs over more acres.<sup>242</sup> The result, Cochrane argues, is the seemingly uncontrollable compulsion to constantly expand the size of the farm operation, to adopt ever more, larger mechanized equipment, and to employ the latest technological applications.<sup>243</sup> These ever-expanding farmers ‘cannibalize’ the farmers who cannot keep up and/or drop out of the contest. As the consumers of the agricultural inputs (i.e. seeds, fertilizers, pesticides, herbicides, and farm equipment) supplied by the agribusiness oligopolies, individually competing farmers are compelled to pay the prices set by the monopoly suppliers, and the prices for farm inputs only rise. This increase is tempered to less profound increases in down times, but overall these prices never decrease.<sup>244</sup>

Don Mitchell argues that the process works the same way on the other side of the equation, where agribusiness corporations involved in food manufacturing also place downward pressure on commodity prices. This results in the stabilization, decline, or temporary sporadic jump-then-fall in farm commodity prices.<sup>245</sup> The objective is to

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<sup>241</sup> Ibid; Paul D. Mitchell, “Technology Change In Agricultural Production: Dealing With Cochrane’s Treadmill,” Powerpoint presentation for AAE 320: Farming Systems Management course, Slide 18.

<sup>242</sup> Chris Kast, “Quality of Life on the Agricultural Treadmill: Individual and Commodity Determinants of Farm Family Well-Being,” *Journal of Rural Social Sciences* 27, no. 1 (2012): 85, accessed August 16, 2012, <http://www.ag.auburn.edu/auxiliary/srsa/pages/Articles/JRSS%202012%2027%201%2084-113.pdf>

<sup>243</sup> This runs in direct contrast to the pre-1950 period, when farms were relatively less expansionist and more stable. Each farm family typically farmed as much land as they could possibly handle. Therefore, a farmer could depreciate the cost of a new cultivator over several years, given that it would suffice for many years. Mitchell, *The Politics of Food*, 14.

<sup>244</sup> Mitchell, *The Politics of Food*, 46.

<sup>245</sup> Ibid.

cheapen the cost of the raw food product that agribusiness needs for manufacturing the processed foods that we buy in our supermarkets. In effect, the price paid to farmers for their commodities is only marginally greater than the cost of production, if at all. Caught between ever-rising farm input costs, and stable, or in real terms, decreasing farm commodity prices, farmers are wedged into a position where their profit margins are inexorably squeezed, and where they must produce ever-larger quantities (at these low margins) in order to make a living.

The main thrust of the argument made in this section – and the point at the core of political economists’ critique of market liberalism - is that despite gains in the overall productivity and profitability of the agricultural sector, the marketization of agriculture and the increasing consolidation of corporate control - both described above – have been bad for farmers. The following section will outline the arguments made by scholars who believe that they have also been bad for consumers and the environment, and indeed for food itself.

#### ***3.3.4. The Food Regimes Approach***

Having outlined the core ideas of political economy above, and outlined some of the ways that farmers, in both developed and developing countries, have been have seen their bargaining power diminished and their livelihoods squeezed by the monopolistic powers of large (often transnational) agribusiness corporations, it is time to turn to the ideas of a group of contemporary scholars who have developed a new approach to understanding the relations of production in the agri-food sector. This approach draws in important ways on political economy, but introduces some new questions and makes new

issues part of the debate. Food regimes theory attempts to periodize the historical development of the agri-food sector, by highlighting periods of history that were characterized by relatively stable relations of production, and then asking what changed? What changed, in terms of the organization of global food production? And what changed in the relationships between farmers (in different countries), the companies that manufacture and distribute food products, consumers, and governments. Periods when the relations of production and public policies that govern the production of agriculture and food become stabilized are conceived of as hegemonic regimes, highlighting the idea that stability is a consequence of power relations, in which a dominant party is able to establish the rules according to which markets will work.

The study of hegemonic regimes in agriculture – known as food regimes - was pioneered by rural sociologists Harriet Friedmann and Phillip McMichael, who have defined a food regime as “a rule-governed structure of production and consumption on a world scale.”<sup>246</sup> Hugh Campbell and Jane Dixon have elaborated by pointing out that the rule-making structures enshrine the various relationships on which a food regime is anchored, and include domestic agriculture and trade policies and regulations, regulations concerning farming and food, and international trade and finance agreements.<sup>247</sup> McMichael has explained that the concept of food regimes offers an analytic device or method of analysis that serves as a comparative-historical lens through which to examine the historical development of political and ecological relations and structuring processes

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<sup>246</sup> Friedmann, “The Political Economy of Food: A Global Crisis,” 30-31.

<sup>247</sup> Hugh Campbell and Jane Dixon, “Introduction to the Special Symposium: Reflecting On Twenty Years of the Food Regimes Approach in Agri-Food Studies,” *Agriculture and Human Values*, 26 (2009): 263.

concerning global capitalist agri-food.<sup>248</sup> D. Burch and G. Lawrence add that the food regimes theory attempts to explain the structures and processes of global food production and consumption, by examining the historico-political contours of different periods.<sup>249</sup> Food regimes theory focuses on the historical contingencies that stabilize a particular period of food relations, as well as on those that, in periods of historical transition, drive transformations between phases of food relations. Hannah Wittman stated that transformations involve crises, which result from the contradictory relations within the political economy of agri-food and typically reflect changes in the character of capitalist development.<sup>250</sup> Importantly, Campbell and Dixon argue that “the key structuring relationships at the heart of a food regime can be reset, inverted or emerge in totally new forms.”<sup>251</sup> Here, the emphasis is on the possibility of agency – on the part of farmers and other political actors – an emphasis that is downplayed in the institutionalist approach, and is either missing or minimized in institutionalist and agricultural economics approaches and even in much of the political economy literature. Thus, transformative periods offer opportunities for an alternative food regime, potentially a food sovereignty regime (see below), to take hold.

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<sup>248</sup> Phillip McMichael, “A Food Regime Genealogy,” *Journal of Peasant Studies* 36, no. 1 (2009): 148.

<sup>249</sup> D. Burch and G. Lawrence, “Towards A Third Food Regime: behind the Transformation,” *Agriculture and Human Values* 26 (2009): 267.

<sup>250</sup> Hanna Wittman, “Food Sovereignty: A New Rights Framework for Food and Nature?,” *Environment and Society: Advances in Research* 2 (2011): 89. Wittman makes use of the following sources in describing transformative periods. Eric Holt-Giminez and Annie Shattuck, “Food Crises, Food Regimes and Food Movements: Rumbblings of Reform or Tides of Transformation?,” *Journal of Peasant Studies* 38, 1 (2011): 109-144; R. LeHeron and N. Lewis, “Discussion: Theorizing Food Regimes: Intervention As Politics,” *Agriculture and Human Value*, 26, 4 (2009): 345-349; McMichael, “A Food Regime Genealogy,” 139-169.

<sup>251</sup> Campbell and Dixon, “Introduction to the Special Symposium: Reflecting On Twenty Years of the Food Regimes Approach in Agri-Food Studies,” 264.



The study of food regimes begins in the late 19<sup>th</sup> century (it could be argued that international trade in food was insufficiently developed prior to this), and Friedmann and McMichael argued that the first ‘British centered’ food regime began during the economic depression of the 1870s, and ended with the outbreak of World War I. It was anchored on the trade of wheat and meat to Europe from the colonial settler states, in exchange for the manufactured goods, labour, and capital necessary for production, but also for the development of more diversified economies in the colonies.<sup>252</sup> It involved two simultaneous movements: 1) the culmination of colonialism; and, 2) the rise of the nation-state system. The colonial system reproduced metropolitan political control of the apparatus of government in the colonies, while its sheer scale was a product of the competition-driven military and financial power of the new industrial state system. According to Friedman and McMichael, the culmination of colonialism and the rise of the nation-state system ‘mutually conditioned’ one another: “whereas the colonial movement redivided the world into vertical power blocs, subordinating agricultural hinterland to industrial metropole, the national counter-movement reformulated the relation between sectors as internal to each national economy.”<sup>253</sup> Friedmann and McMichael point out that the national framework of capitalism facilitated by steamships and railways, ultimately replaced colonial with international specialization.<sup>254</sup> In other words, nation-states specialized in specific types of agricultural production within a system organized globally rather than just within specific colonies. The settler farm became

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<sup>252</sup> Friedmann and McMichael, “Agriculture and the State System: the Rise and Decline of National Agricultures, 1870 to the Present,” 95-96.

<sup>253</sup> Friedmann and McMichael, “Agriculture and the State System: Rise and Fall of National Agricultures, 1870 to the Present,” 98.

<sup>254</sup> *Ibid.*, 100.

the mechanism generating demand for emerging national industries, which created fully commercial and highly integrated sectors of production within the framework of nation-state economies.<sup>255</sup> Indeed, the reconstitution of the world economy was anchored on the development of wage labour and settler agriculture. Consequently, colonial producers (who were reliant on slave labour) were usurped by capitalists who produced goods produced through wage labour, and the European farmers were displaced by the flood of cheaper grain being produced in the settler farmers. The result was social and political upheaval, economic nationalism, and protectionism.<sup>256</sup> The first food regime gave way to the period of crisis that encompassed World War I, the Great Depression, and World War II. The authors point out that the first state assistance measures were implemented in order to promote colonial development, and to help manage the period of crisis.<sup>257</sup>

Friedmann and McMichael propose that the second 'US centered' food regime encompassed the 1947-1973 period, and involved relations of production and consumption within a context of strong state protection and a global economic order organized around US hegemony.<sup>258</sup> The process of decolonization after World War II saw the dismantling of various colonial trading blocs such as the British Commonwealth, and the trade between France and its colonies in Africa and elsewhere. As these blocs disappeared many developing countries integrated into the second food regime, through the importation of wheat from the old settler colonies, notably the USA, Canada, and Australia. Wheat imports came at the expense of domestic food production, which displaced much of the peasantry in developing regions such as Latin America and Africa.

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<sup>255</sup> Ibid.

<sup>256</sup> Ibid., 101.

<sup>257</sup> Ibid.

<sup>258</sup> Ibid., 103.

The integration process also involved the gradual decline of markets for traditional tropical exports such as sugar and vegetable oils, due to the manufacture of substitutes in developed countries.

According to Friedmann and McMichael the international division of labour involved transnational restructuring of agriculture sectors through three processes: 1) the intensification of agricultural specialization in both regions and enterprises; 2) the integration of specific crops and livestock into agri-food chains controlled by huge industrial (often US-based) capitals at each end; 3) the increasing use of industrial inputs for manufactured foods (i.e. Green Revolution and associated research that promoted industrial agriculture).<sup>259</sup> These processes occurred in the intensive meat and durable foods complexes.<sup>260</sup> The intensive meat complex involved the national integration of newly specialized agriculture sectors (specialized and separate animal and grain farmers), and the industrial soybean production. The durable food complex involved the replacement of local, perishable ingredients with manufactured inputs, most notably as sweeteners and fats, specifically designed to be hardy and have a long shelf life. The gradual decline of US hegemony over the postwar decades has brought forth more and more tension between nationally organized economies and transnational capital. Friedman adds that the second food regime (as exemplified by the US agri-food system) involved “a new type and significance of farm politics” (mercantilist-industrial food regime), which involved “agricultural support and protectionist programs fueling agro-industrialization behind tariff walls, breached only by a public ‘food aid’ program.”<sup>261</sup> In

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<sup>259</sup> Ibid., 105.

<sup>260</sup> Ibid., 105-110.

<sup>261</sup> McMichael, “A Food Regime Geneology,” 146-147.

other words, the second food regime, involved the orderly disposal of managed overproduction.

McMichael argued that a third food regime has taken hold since the political economic crises of the early 1970s brought an end to the second food regime.<sup>262</sup> He argued that the new regime “privileges corporate agriculture, in the service of capitalist accumulation on a world scale and at the expense of smallholder agriculture, local ecologies and ‘redundant’ urban fringe-dwellers” has in fact taken hold.<sup>263</sup> For this reason he called the new regime a ‘corporate food regime.’ In McMichael’s view, the corporate food regime emerged through the tension between state-centric agricultural production and increasing transnationalization of capital in the 1970s and 1980s, which resulted in the creation of the World Trade Organization (WTO) in 1995. The neoliberal world pivots on trade relations between the developed north (staples grain) and the developing south (meats, fruits, and vegetables). This trade relation is institutionalized in the WTO, which functions to stabilize the corporate food regime in a global framework, thereby preserving the dominant position of the northern countries and the agribusiness TNCs headquartered there. The WTO imposes the elimination of trade barriers while simultaneously permitting the continuation of northern subsidies (in Europe, and in the

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<sup>262</sup> It should be noted that Friedmann does not agree that a third food regime has taken hold. Rather, she argues that the unstable period of crisis that brought down the second food regime has not been resolved. She does believe, however, that a third food regime that she calls the ‘corporate-environmental’ food regime may be emerging. It involves the cooptation of concern regarding the environment by corporate interests, in that same way that food security was coopted. This selective appropriation of the demands of green movements, animal health, consumer health, and animal welfare activists, has resulted in a corporate version and a grassroots social movement version of these issues. Friedmann argues that the new food regime is resulting in a clear delineation between class diets: fresh, unprocessed, low input intensive foods enjoyed by the upper class, and the highly input intensive, engineered, processed, edible foods of the lower classes. Harriet Friedmann, “From Colonialism To Green Capitalism: Social Movements and the Emergence of Food Regimes,” *New Directions in the Sociology of Global Development: Research In Rural Sociology and Development*, ed. F.H. Buttel and P. McMichael, 11 (Oxford: Elsevier, 2005), 229-267.

<sup>263</sup> Phillip McMichael, “A Food Regime Analysis of the ‘World Food Crisis,’” *Agriculture and Human Values* 26 (2009): 289.

US, in particular). Thus, the WTO reinforces the power relations between the industrialized northern and the industrializing south, by employing a categorized system of farm subsidies – Amber Box programs (unpermitted), Blue Box programs (permitted with limits), and Green Box programs (permitted) – designed to make subsidies “more acceptable” for countries that can afford to provide them, while pushing open borders in industrializing countries.<sup>264</sup> Importantly, these categories have precipitated a shift away from price supports (which created a national price, whereby each nation-state established a base price for each farm commodity), to decoupled direct payments (which created a single world price, whereby farmers in every country received more or less the same prices for their farm commodities). The world price is lower and serves to allow commodity dumping (with the assistance of decoupled direct payments, which are effectively the new form of export subsidies).

Other agreements such as the NAFTA, simply replicate the WTO’s power entrenching mechanisms. The corporate food regime also involves deep economic liberalization involving the privatization of food security, and, importantly, agricultural research (intellectual property rights protection, which is important for protecting the ‘value’ of growing investments in genetically modified foods) which were previously the responsibility of governments.<sup>265</sup> McMichael proposes that the WTO is the new focal point of struggle, between the corporate project and the objectives of alternative farm movements in many different countries. He characterizes this struggle as being one

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<sup>264</sup> The take away message is that the WTO did not ban farm subsidy programs. It merely outlines how programs should be structured, in order to ensure that they influence the decisions of farmers as little as possible. Given that farm subsidies are still permitted, developed countries are free to spend as much as they wish on these programs in order to support their farmers. Developed countries cannot afford such expenditures, leaving their farmers at a disadvantage. McMichael, “A Food Regime Analysis of the ‘World Food Crisis,’” 286.

<sup>265</sup> McMichael, “A Food Regime Geneology.” 151.

between the world agriculture (food from nowhere) versus the locally oriented, ecologically focused (food from somewhere) movement.<sup>266</sup> These farm movements have included peasant movements (such as Via Campesina in Latin America), the movements to ‘save the family farm,’ or to farm without chemicals that are more familiar in countries like Canada or France. Interestingly, McMichael argues that there are signs the corporate food regime may be breaking down, including the shift to agri-fuels, the emergence of related food crises driven by high food prices, and financial meltdown.<sup>267</sup> Another sign is the growing momentum of the alternative food movements (AFM), which have developed from a common desire to oppose the industrial food system and promote food sovereignty. Food sovereignty is a new approach to the agri-food system, which is gaining influence the world over, including Canada. Several organizations and initiatives based on the principles of food sovereignty have emerged in Canada, and are discussed in chapter 8.

### ***3.3.5. Food Security & Food Sovereignty***

The food sovereignty movement was born out of a rejection of the food security concept,<sup>268</sup> which has been the dominant discourse on hunger, malnutrition, and food provision. Food security initially reflected concerns about food supplies at the international level. In the 1970s, the term ‘global food security’ was commonplace. The

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<sup>266</sup> Ibid.

<sup>267</sup> Ibid., 292.

<sup>268</sup> Phillip McMichael, “Food Sovereignty in Movement: Addressing the Triple Crisis,” in *Food Sovereignty: Reconnecting Food, Nature and Community*, ed. Hannah Wittman, Annette Aurelie Desmarais, and Nettie Wiebe (Winnipeg: Fernwood Publishing, 2010), 168.

definition given to food security at the 1974 World Food Summit was the “availability at all times of adequate world food supplies of basic foodstuffs to sustain a steady expansion of food consumption and to offset fluctuations in production and prices.”<sup>269</sup> The global food system was conceived in terms of countries with food shortages and countries with food surpluses. The solutions seemed simple enough: those countries with surpluses should make them available to those with food shortages and there should be storage of food reserves. Food security was thus framed as an international trade issue, and an issue of international cooperation and solidarity.

Before long, however, it became clear that the food security issue would also have to be addressed at the national level. The term ‘national food security’ was devised at the 1979 Conference of the FAO, and referred to the access to food by national citizens. National food availability was understood in terms of population/food availability ratios and the availability of food in national markets. Solving national food security required finding ways to produce enough food within each country, and ensuring its adequate distribution to all of a country’s citizens.<sup>270</sup> The recommended policies included the use of grain reserves, import and export quotas, food aid, and irrigation.

Through the early 1980s the notion that increasing food production could solve the food security problem, came under question. Despite an overabundance of food, hunger and malnutrition had increased rather than disappeared. Consequently the food security problem came to be understood as an access to food problem. The idea of food as an individual entitlement began to emerge. In 1983 both the World Food Council and

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<sup>269</sup> *Report of the World Food Conference*, Rome, November 5-16, 1974 (New York: United Nations, 1975).

<sup>270</sup> Michael Windfuhr and Jennie Jonsen, *Food Sovereignty: Toward Democracy in Local Food Systems*, FIAN International, (Warwickshire: ITDG Publishing, 2005), 21-22, accessed March 25, 2010, [http://www.ukabc.org/foodsovereignty\\_itdg\\_fian\\_online.pdf](http://www.ukabc.org/foodsovereignty_itdg_fian_online.pdf).

the Food and Agriculture Organization (FAO) of the UN both recommended that the definition of Food Security include the individual's access to food. Thus, food security became less about a problem with production, and more about individual entitlement. By 1986 both the FAO and World Bank were using the definition of food security as "access by people at all times to enough food for an active and healthy life."<sup>271</sup> Since the mid-1980s the food security concept has evolved to become much more comprehensive. Food security is currently defined as a situation where "all people, at all times, have physical, social, and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life."<sup>272</sup> In addition, the 1996 World Food Summit Plan of Action addressed global, national, household, and individual food security.<sup>273</sup> The Plan of Action served an important role in providing a clear set of proposals for governments to use as a guide when designing policies for tackling hunger and malnutrition. While the government of Canada has taken some action on the international stage, it has done very little to act on its commitments at home. Canada's experience with food security is an example of why much of the AFM has chosen to adopt many of the principles of food sovereignty.

Canada has recognized food security on the international stage a number of times, as demonstrated in Table 1. For instance, it signed the Universal Declaration of Human Rights in 1948, ratified the International Covenant on Economic, Social, and Cultural

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<sup>271</sup> World Bank, *Poverty and Hunger: Issues and Options for Food Security in Developing Countries*, (Washington DC: 1986), 2.2; *Defining Food Security, Trade and Food Security: Conceptualizing the Linkages*, Expert Consultation, Food and Agriculture Organization, Rome, July 11-12, 2002, accessed March 25, 2010, <http://www.fao.org/docrep/005/y4671e/y4671e06.htm#fn27>

<sup>272</sup> *Declaration of the World Food Summit on Food Security*, Food and Agriculture Organization of the United Nations.

<sup>273</sup> *Plan of Action*, World Food Summit, Food and Agriculture Organization of the United Nations Rome, Italy, November 13-16 1996, accessed March 25, 2010. <http://www.fao.org/docrep/003/w3613e/w3613e00.htm>.



Rights (ICESCR) in 1976, and signed the Rome Declaration on World Food Security and World Food Summit Plan of Action in 1996. Rideout and her colleagues argue that Canada's record of participating in international agreements that recognize the right to food implies a commitment to taking the necessary action to protect this right domestically.<sup>274</sup> However, Canada has failed to respect, protect and fulfill the right to food on the national level. In an attempt to recognize the right to food at the domestic level in response to the World Food Summit Plan of Action, the Federal Government introduced Canada's Action Plan for Food Security in 1998.<sup>275</sup> It included plans to achieve the right to food, resulted in the short-lived creation of the Food Security Bureau within Agriculture and Agri-food Canada, and initiated two progress reports. However, missing in this experience is the protection of the right to food through fundamental and binding domestic law. Canada's failure to enshrine food security in binding domestic law is an experience that has been repeated by the signatories of the various international food security agreements. Consequently, critics and activists have adopted a new approach to agriculture and food issues known as 'food sovereignty.'

Food sovereignty was developed by La Via Campesina<sup>276</sup>, and is designed to stand for principles and values in direct opposition to those on which the corporate food regime is anchored. Moreover, food sovereignty was designed to be much broader than simply

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<sup>274</sup> Karen Rideout, Graham Riches, Aleck Ostry, Don Buckingham, and Rod MacRae, "Bringing Home the Right to Food in Canada: Challenges and Possibilities for Achieving Food Security," *Public Health Nutrition* 10, 6 (June 2007): 567.

<sup>275</sup> *Ibid.*, 566.

<sup>276</sup> Via Campesina was founded in 1993 and is a coalition of 148 organizations representing 69 countries, which advocates peasant and family-farm based, sustainable agriculture. It has carried out several campaigns on a range of issues including the peasant rights, seed rights, and violence against women. Via Campesina is the founder of the Food Sovereignty movement. Wittman, Hannah, Annette Desmarais, and Nettie Wiebe, "The Origins and Potential of Food Sovereignty," in *Food Sovereignty: Reconnecting Food, Nature, and Community*, ed. Hannah Wittman, Annette Desmarais, and Nettie Wiebe (Winnipeg: Fernwood Press, 2010), 2.

addressing the problem of access to food. It was devised in order to recognize both the economic and political power element at the core of the food and agriculture debate. In its broadest sense, food sovereignty is defined as “the right of nations and peoples to control their own food systems, including their own markets, production modes, food cultures, and environments.”<sup>277</sup>

Food sovereignty was first discussed at La Via Campesina’s second international conference held in Tlaxcala Mexico in April 1996.<sup>278</sup> The discussion was driven by a general dissatisfaction with the food security concept, based on four broad criticisms. First, critics lamented that food security was toothless. It was merely a noble set of goals for governments to aim for.<sup>279</sup> There was no way to hold governments to account regarding hunger and malnutrition among their citizens. As per Canada’s experience described above, there were no legally binding obligations for governments, nor is there a set of legal mechanisms that can be used in defense of the malnourished. Second, critics alleged that food security still predominantly refers to the availability of food at the international, national or regional levels, rather than the individual level.<sup>280</sup> The problem of access to food by vulnerable persons or groups, has been a peripheral concern at best. Food security has not adequately involved a rights-based approach, whereby food is an entitlement for poor individuals and groups. Thirdly, critics disliked the fact that it does not address *how* individuals access food.<sup>281</sup> Food security has focused on the problem of purchasing power or aid. By contrast, a more dignified approach - a rights-based

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<sup>277</sup> Ibid.

<sup>278</sup> Ibid., 2-3.

<sup>279</sup> Windfuhr and Jonsen, *Food Sovereignty: Toward Democracy in Local Food Systems*, 22-24.

<sup>280</sup> Ibid.

<sup>281</sup> Ibid.

approach - would focus on access to resources to feed oneself such as land, seeds, livestock, water and fishery resources, capital, credit, and skills.

A final criticism was that food security does not address the relations of production. Consequently, the industrial food system was easily able to use food security to justify itself. Food security was co-opted by corporate interests and industrialized countries, which embedded it with neoliberal language and concepts, and institutionalized it within the World Trade Organization.<sup>282</sup> In McMichael's words: "food security came to be redefined, and institutionalized, in the WTO as an inter-national market relation."<sup>283</sup> As a creature of the industrial food system, food security became the justification for improving production and efficiency through the use of new technologies such as chemicals, fertilizers, and biotechnology, in order to increase the amount of food produced.<sup>284</sup> It also became the justification for large scale, specialized agriculture, liberalized trade, and the international organizations such as the WTO and World Bank, which were designed to facilitate improvements in food production and access to food through loans and trade. Food security's focus on access to food has served as a blinder to a myriad of problems caused by the industrial food system. These problems include widespread rural poverty and dispossession, ecological degradation, obesity, and worsening hunger and malnutrition. As a result, the delegates at the Tlaxcala convention concluded that the industrial agri-food system had actually caused many of the problems

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<sup>282</sup> Phillip McMichael, "Global Development and the Corporate Food Regime," *Research in Rural Sociology and Development* 11 (2005): 276-280; McMichael, "A Food Regime Analysis of the 'World Food Crisis,'" 288; Wittman, Desmarais, and Wiebe, "The Origins and Potential of Food Sovereignty," 3.

<sup>283</sup> Phillip McMichael. "Global Development and the Corporate Food Regime," 276.

<sup>284</sup> *Ibid.*, 276-280; William D. Schanbacher, *The Politics of Food: The Global Conflict Between Food Security and Food Sovereignty* (Denver: Praeger Security International, 2010), 21-23.

its proponents were claiming it could solve.<sup>285</sup> Therefore, they committed themselves to creating a new concept designed to serve as a real alternative to the industrial food system model.

The Tlaxcala Conference delegates developed a “Position on Food Sovereignty,” which La Via Campesina subsequently presented at the 1996 World Food Summit in Rome.<sup>286</sup> It included the seven main principles food sovereignty: food as a basic human right; agrarian reform; protecting natural resources; reorganizing the food trade; ending the globalization of hunger; social peace; and, democratic control. In the years that followed, food sovereignty was developed further at various gatherings. These included the World Forum on Food Sovereignty held in Cuba in 2001 and the NGO/CSO Forum on Food Sovereignty in Rome in 2002.

The most significant development of the formative period was the creation of the People’s Food Sovereignty Network (PFSN), which was comprised of various organizations involved in the Our World Is Not For Sale Coalition.<sup>287</sup> Together the participant organizations<sup>288</sup> developed the People’s Food Sovereignty Statement (PFSS). The PFSS is an extensive document that includes policy recommendations, a series of statements regarding things that cannot be allowed to continue, and an expanded list of principles. The policy objectives address the following categories: market policies; food

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<sup>285</sup> Wittman, Desmarais, and Wiebe, “The Origins and Potential of Food Sovereignty,” 2-3.

<sup>286</sup> Ibid.

<sup>287</sup> Ibid., 3.

<sup>288</sup> The participant organizations included La Via Campesina, Coalition of African Organizations for Food Security, Sovereignty, and Sustainable Development (COASAD), Collectif Strategies Alimentaires, Action Group on Erosion, Technology, and Concentration (ETC) Group, Focus on the Global South, Foodfirst/Institute for Food and Development Policy, Friends of the Earth Latin America and Caribbean, Friends of the Earth England, Wales, and Northern Ireland, GRAIN, Institute for Agriculture and Trade Policy, IBON Foundation, and Public Citizen’s Energy and Environment Program.

safety, quality, and the environment; access to productive resources; production-consumption; genetically modified organisms; transparency of information and corporate accountability; and, specific protection of coastal communities dependent on marine and inland fish. The PFSS also makes statements on aspects of the current global food system that must be banned including dumping, neoliberal trade, and corporate domination. Finally, the PFSS includes a much more extensive list of principles that flow from the original seven principles articulated in 1996. Today the leading organization devoted to working towards Food Sovereignty is the International Planning Committee for Food Sovereignty (IPC),<sup>289</sup> which is made up of many of the organizations that were involved in the development of La Via Campesina's 1996 World Food Summit document and the PFSS.

The most recent gathering was the Nyeleni International Forum on Food Sovereignty held in Nyeleni, Mali in 2007.<sup>290</sup> The event included 500 representatives from various organizations from 80 countries, including Canada, committed to advancing Food Sovereignty. At this gathering food sovereignty was developed into a still more broad approach, designed to address all of the social, cultural, and environmental relations concerning the entire food system. The "Declaration of Nyeleni" offers the following definition:

Food Sovereignty is the right of peoples to define their own food and agriculture; to protect and regulate domestic agricultural production and trade in order to achieve sustainable development objectives; to determine the extent to which they want to be self reliant; to restrict the dumping of

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<sup>289</sup> *International Planning Committee (IPC) For Food Sovereignty*, accessed March 25, 2010, <http://www.foodsovereignty.org/>.

<sup>290</sup> *Nyeleni 2007 – Forum for Food Sovereignty*, accessed March 25, 2010, <http://www.nyeleni.org/spip.php?rubrique2>

products in their markets; and to provide local fisheries-based communities the priority in managing the use of and the rights to aquatic resources. Food sovereignty does not negate trade, but rather, it promotes the formulation of trade policies and practices that serve the rights of peoples to safe, healthy and ecologically sustainable production.<sup>291</sup>

In addition to the declaration, the Nyeleni gathering further refined the core principles of Food Sovereignty, as summarized in Table 2 included in the Appendix. There is evidence that the food sovereignty approach is spreading. Several countries have included it in legislation including Venezuela, Bolivia, Mali, Ecuador, and Senegal. Closer to home in Canada, Food Councils, Food Charters, and food networks are emerging which employ some of the principles of Food Sovereignty.

### **3.4. An Alternative Future?**

Clearly, if current trends continue, in agriculture and in the agribusiness industry, the future is likely to see a more ‘advanced’ version of the present: a more global reach in the production of foods for supermarkets in the developed nations (likely including parts of Asia and Latin America in the latter category), greater use of technologies (including genetic research) that enable the production of more food units with cheaper costs (in part by minimizing labor costs), even greater horizontal and vertical integration in agribusiness, and of course the continuation of the farm crisis. However, there is today also an increasing resistance to this way of farming and eating – concern regarding the entire food chain - resistance that encompasses many disparate groups, each with their

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<sup>291</sup> *Declaration of Nyeleni*, Nyeleni 2007 – Forum for Food Sovereignty, accessed March 25, 2010, <http://www.nyeleni.org/spip.php?article290>.

own particular agendas, in many different countries. These include farmers groups in countries like Canada and France, as well as farm movements like Via Campesina. They also include consumers groups who are concerned, variously, with pesticide pollution on industrially produced fruits and vegetables, with the widespread use of antibiotics and other drugs in the production of meat and farmed fish, and with the growing presence of genetically modified foods. There are also groups concerned with the environmental costs of shipping food around the world, who advocate a return to eating more locally produced food wherever possible. None of these could be considered ‘mainstream’ movements at this point in time, and indeed the crowds in supermarkets and the profits of major agribusiness corporations attest to the staying power of the industrial food system.

### **3.5. Concluding Remarks**

Clearly, the ideas associated with food regimes theorists represent a fundamental, even radical, critique of the liberal-market paradigm. As noted above, this begins as a critique of the relations of production that characterize corporate agriculture today (and over the last two decades). However, it now extends to a critique of the technologies that are used to increase food production while reducing per unit costs, technologies that environmentalists, consumer advocates, and food safety advocates claim are producing foods – and eating habits and tastes - that are dangerous to human health. There is, as this author has argued, some evidence that interest in at least some of the ideas associated with ‘food sovereignty’ is spreading, both in the developing countries noted above and in countries like Canada, the United States, and the countries of western Europe.

None of this should lead to optimism that reform of the food system will come easily. There are enormous economic interests involved in the horizontally and vertically integrated production, distribution, and retailing of industrially produced food; and these companies – Monsanto, Cargill, Tyson, Nestle, MacDonald's, Safeway, to name only a few – have a long history of effective lobbying of politicians in Canada, the United States, Europe, and elsewhere (Mexico, and Brazil, for example). Moreover, if 'path dependence' has any salience at all, we should recognize that not only will long established practices in food production and retailing be very resistant to proposed changes in direction, but part of this difficulty will arise out of long established practices and habits in shopping and eating. Many consumers appreciate the ease of packaged and prepared foods, for example, while many more actively enjoy foods that are fatty, salty, and/or overly sweet. The food industry has succeeded in cultivating our taste for foods that are not good for our health, and reversing this will require (among other things) major campaigns of public education.

Nonetheless, it is fair to observe that such campaigns are already underway, and that they have gained traction to an extent that would have seemed optimistic twenty years ago. The European Union has taken measures against genetically modified foods that Canada – with a large interest in the sale of genetically modified products – has had to fight. In North America, meanwhile, organic farming has grown well beyond the 'fringe' status that it enjoyed twenty years ago, while farmers' markets, food co-ops, and other organizations committed to making available locally grown food have proliferated in many communities. Indeed they now include many consumers who would not identify themselves as 'food activists' (though these, too, are growing in number).



The cumulative effect of this public interest in food issues is to create a ‘window of opportunity’ in which a wider range of options might be considered in food and agriculture policy than would have been possible only a few years ago. In most areas of public policy, there is a very narrow range of policy options that form a ‘window’ of politically acceptable options at any given time. The politically possible options are those that politicians believe they could support and still win re-election. The window shifts only when society accepts new ideas, and it is precisely such a shift that arguably is underway today, with respect to food. As mentioned above, the Overton Window offers a way of visualizing where ideas fall in the spectrum of political acceptability within a given populace at a given time, and it is also useful for visualizing how proponents of ideas once considered politically unacceptable attempt to educate the public. At any given time, there is a range of ideas, from politically unacceptable to politically acceptable, regarding policy options, and *this window can be opened or expanded to allow consideration of options once considered too radical to be taken seriously.*

This illustrates, the importance of seriously considering new approaches and ideas to deal creatively with longstanding policy problems in Canadian agriculture. However, it also should draw attention to some of the challenges involved in doing so effectively, challenges of reversing paths (or, more accurately, of charting and establishing new paths). The most important of these challenges, is articulating the connections between agriculture policy and food policy - or, put differently, between the foods that can be purchased and brought to one’s table, and the ways that these foods are produced, in Canada and around the world. If significant changes in the agriculture policies of the last 25 years (i.e. the policies of the market-liberal paradigm) are to become politically realistic, this will require that advocates for change (advocates for parts or all of the food

sovereignty agenda) work to build on the changes noted above, and convince a progressively greater proportion of the public that industrially produced food carries risks to human health. For only when there is this public support (indeed public demand) for locally and organically produced foods, will politicians become aware that their continued support of the market-liberal paradigm will carry political risks.

## Chapter 4

### Farm Subsidy Policy Reform: 1987-1997

#### 4.1. Introduction

As outlined in the previous chapter, the federal government began providing farm subsidy<sup>292</sup> programs to prairie farmers in the late 1930s. Farm subsidy programs were continued, in various forms, throughout the post-War period. Successive governments, both Liberal and Conservative, were motivated to provide farm subsidies in order to address national objectives, improve farm productivity, and respond to pressure from farmers in times of economic hardship. However, in the late 1980s farm subsidy expenditures began to increase dramatically, when a farm crisis engulfed the prairie region. Agriculture policy soon took on a crisis management character, as the federal government was pressured into providing one massive emergency bailout program, after another. Before long, the federal government, which was becoming increasingly alarmed at the size of its budget deficit, reached the conclusion that farm subsidy expenditure levels had become unsustainable. The concern was driven, in part, by the ascendance of neoliberalism in the 1980s, in response to growing public sector deficits and debt, and a new political consensus (at least on the part of Conservatives and Liberals, in Canada), which called for a reduction in the role of government in the economy.

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<sup>292</sup> The term *farm subsidy* is used to refer to all price support and direct payment programs introduced by governments in Canada in order to provide farm income support to farmers. During the time period covered in this study, these programs were variously called *stabilization*, *safety nets*, and *business risk management* programs. In the interest of focusing on the bigger picture regarding these programs, rather than the various details regarding how the different programs functioned, the catchall term *farm subsidy* is used throughout.

With respect to agriculture specifically, neoliberal critics argued that farmers had become dependent on farm subsidies and they should no longer receive special assistance from governments. Ottawa also had its concerns about disparities between the provinces in the provision of farm subsidies, as some provinces had attempted to capture market share by providing their farmers with assistance not available elsewhere. Finally, it was clear that the emerging trade rules (Canada-US Free Trade Agreement and Uruguay Round of GATT negotiations) would make the programs in place at the time illegal. As a result, the Canadian government embarked on an agricultural policy reform effort that continued into the 1990s. The reforms were intended to reorient Canadian agriculture policy according to the neoliberal model, which, in part, involved reshaping farm subsidy programs according to international trade rules and gaining control of farm subsidy expenditure levels. These events are examined below.

## **4.2. Progressive Conservative Government Reforms: 1987-1993**

### ***4.2.1. Farm Crisis Begins***

In the late 1980s, farm income plummeted to levels not seen since the Great Depression, as illustrated in Figures F.1-F.3 and Figures G.1-G.1. Realized Net Farm Income (RNFI)<sup>293</sup> in Manitoba fell by over 160 percent to \$-81 million in 1987, troughed at \$-203 million in 1989, and totaled \$-856 million in the 1987-93 period. In 1985 Saskatchewan's RNFI nosedived by 150 percent to almost \$-260 million, bottomed out in

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<sup>293</sup> Realized Net Farm Income (RNFI) is defined as the difference between a farmer's cash receipts and operating expenses, minus depreciation plus income in kind. Canada. Statistics Canada. "Net Farm Income." Agriculture Economic Statistics, Catalogue 21-010-X. (Ottawa, May 2011), 5, accessed March 6, 2012, <http://www.statcan.gc.ca/pub/21-010-x/21-010-x2011001-eng.pdf>.

1992 at \$-604 million, and totaled \$-3.86 billion in the 1985-93 period. Finally, the bottom fell out of Alberta's RNFI when it fell by 119 percent to \$-33 million reached its lowest point in 1986 at \$-550 million in 1986, and totaled \$-2.69 billion in the 1984-1993 period.

Several factors converged to cause the farm crisis that unfolded in the late 1980s-early 1990s. Among them were three neoliberal reforms that had been undertaken by the federal government. First, in 1984 the federal government replaced the fixed freight rates (i.e. Crow Rate) on cereal grains, with a transportation subsidy payment to farmers (i.e. Crow Benefit), and lifted restrictions on the railway companies to rationalize their railway networks and freight rates in the prairie region.<sup>294</sup> As a result, farmers were faced with much higher transportation costs. The Crow Rate's termination "affected the whole structure of agriculture, rail transportation, and agro-industry in the West, and its termination inevitably produced profound dislocations."<sup>295</sup> Second, the governments of Canada and the US established the Canada-US Free Trade Agreement (CUSTA) in 1988. The result was massive consolidation in the prairie agriculture sector, as a result of mergers, takeovers, and bankruptcies, when giant US agribusiness corporations moved north. For example, Cargill moved into Canada's beef packing sector, which resulted in the disappearance of several medium sized Canadian firms. Finally, the federal government terminated the Two Price Wheat (TPW) program in 1988. The TPW had served to stabilize domestic wheat prices by keeping the domestic price higher than the international price. It was estimated that the program provided approximately \$6,600 to a

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<sup>294</sup> This change was made under the terms of the Western Grain Transportation Act, implemented in 1983. The politics concerning this change is discussed in more detail in Chapter 6.

<sup>295</sup> Darrin Qualman and Nettie Wiebe, *The Structural Adjustment of Canadian Agriculture*, (Ottawa: Canadian Center for Policy Alternatives, November 2002), 11-12, accessed on March 6, 2012, <http://politics.ucsc.edu/undergraduate/chicago%20style%20guide.pdf>.

prairie farmer producing 10,000 bushels in 1987.<sup>296</sup> As a result of these changes, farmers' incomes and bargaining position within the agricultural marketplace, declined.

The farm crisis was also caused by a drop in demand for Canada's agricultural exports, due to the economic turmoil of the period as a result of a severe debt crisis in the Soviet Union and several developing countries. In the 1970s-80s, many developing countries had borrowed heavily from private banks, which had surplus petro-dollars after OPEC countries had raised oil price, in an effort to cope with the global recession, oil price shocks, and their declining terms of trade. When the US hiked interest rates, they were unable to service these debts. Meanwhile, the Soviet Union suffered a significant loss of income when oil prices fell in 1986 (and into the early 1990s), in the wake of the glut generated by the high prices of the previous decade. Second, the drop in demand for Canada's exports was exacerbated by the dramatic increase in the value of the Canadian dollar in 1986. From February 4<sup>th</sup> 1986 to November 4<sup>th</sup> 1991, the dollar rose from 70 cents to 90 cents USD. These factors made all Canadian exports, including grain, more expensive for importing countries.<sup>297</sup>

Yet another factor was the introduction of the US Export Enhancement Program (EEP) in the 1985 Farm Bill. The EEP's purpose was to capture more market share in developing countries, where demand had dropped. The result was a US and EU trade war, which pitted their treasuries against each other, as each ramped up subsidies.<sup>298</sup> The

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<sup>296</sup> Ibid, 10.

<sup>297</sup> Bruce H. Huff, "The Changing Role of Public Policy in Agriculture," *American Journal of Agricultural Economics* 79, 5 (December 1997): 1402.

<sup>298</sup> EU price supports rose steadily from \$6 billion in 1977 to \$39 billion in 1997. US supports rose from \$4 billion in 1977 to \$25 billion in 1986, then declined to \$6.4 billion in 1997 when reforms were attempted, only to rise again to \$28 billion by 2000. Moyer and Josling, *Agricultural Policy Reform: Politics and Process in the EU and US in the 1990s*, 2.

subsidy war sent grain prices downward. For instance, wheat in Saskatchewan fell to \$5.30 (constant 2006 dollars) per bushel in 1986, and averaged roughly \$5.00 until the late 2000s. It had not been below \$10 per bushel since the 1930s. Canadian farmers suffered economic hardship, given that they were not receiving the same level of subsidies as their counterparts in the US and EU.<sup>299</sup>

The final factor that led to the farm crisis was a prolonged drought that engulfed the prairie region, and resulted in reduced yields.<sup>300</sup> While the late 1980s saw the most severe conditions - comparable to the drought of the 1930s - they were preceded by five years (1981, 1983, 1984, 1985, and 1986) where winter precipitation was only 69-73 percent of normal.<sup>301</sup> In 1988 and 1989 winter precipitation dropped to 43 and 46 percent of normal levels. Moreover, the summers of 1987 and 1988 (10<sup>th</sup> driest of the 20<sup>th</sup> century) were particularly hot and dry. Droughts have been most destructive when they occurred during times of economic turmoil. Indeed, prairie farmers were able to maintain positive incomes during the droughts of 1960s. The difference was that in the 1930s and after the late 1980s, prairie farmers were effectively hypersensitive to natural calamities, due to the crises they were already experiencing in the agricultural markets.

The economic crisis that began in the late 1980s served to completely strip away the ability of prairie farmers to make a living from the market, and also – and this is

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<sup>299</sup> Schmitz et al describe the impact of the EEP on Canadian farm subsidy policy in the following way: “In Canada, the Western Grain Stabilization Program (WGSP) was introduced in 1976 when grain prices were relatively strong. The program was supported by farmers and was actuarially sound until a policy decision in the United States lowered its loan rate on wheat by U.S. \$1.00 per bushel and introduced the Export Enhancement Program (EEP) in the 1985 Farm Bill. This single piece of legislation completely changed the trajectory of grain income in Canada. By 1988, the WGSP was depleted of finances; in 1991 it was disbanded.” Schmitz et al, *Agricultural Policy, Agribusiness, and Rent Seeking Behaviour*, 196.

<sup>300</sup> L. Auer, *Canadian Prairie Farming, 1960-2000: An Economic Analysis*, Study prepared for the Economic Council of Canada, (Ottawa: Supply and Services, 1989), 26.

<sup>301</sup> Lawrence Nkemdirim and Lena Weber, “Comparison Between the Droughts of 1930s and the 1980s in the Southern Prairies of Canada,” *Journal of Climate* 12, 8 (August, 1999): 2435, accessed September 9, 2012, [http://dx.doi.org/10.1175/1520-0442\(1999\)012<2434:CBTDOT>2.0.CO;2](http://dx.doi.org/10.1175/1520-0442(1999)012<2434:CBTDOT>2.0.CO;2).

important - government's ability to make up the difference. From 1987-93 the difference between farmers' total revenue and their take-home income (RNFI) was -\$13.2 billion in Manitoba, -33.8\$ billion in Saskatchewan, and -\$40.1 billion in Alberta. In other words, a total of \$87 billion in farm revenue was captured by other economic actors (farm input supply, transportation, and grain handling corporations) in the prairie provinces. In an attempt to address the crisis, some \$17 billion<sup>302</sup> in farm subsidy payments were made to prairie farmers. However, despite these massive payments, the federal and provincial governments were unable to keep prairie farmers afloat, as their RNFI losses still stood at -\$5.8 billion.<sup>303</sup> As a result, many farmers were forced off the land, and those that remained became dependent on the provision of farm subsidies, as illustrated in Figures G.1-G.3. Farm subsidy policy during this period is examined below.

#### ***4.2.2. Ad Hoc Emergency Programs***

The last few years of the 1980s the Mulroney Progressive Conservative government made a series of emergency bailout payments to farmers, whose incomes had dropped to Depression era levels. First, the Western Grain Stabilization Program (WGSP) churned out a total of \$3.1 billion in 1986-89. The surge in payments ultimately bankrupted the program, which had been in place since 1976.<sup>304</sup> Second, in 1996 and

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<sup>302</sup> Farmers in Manitoba, Saskatchewan, and Alberta received \$2.5 billion, \$8.7, and \$5.8 billion in farm subsidy payments respectively.

<sup>303</sup> Realized net farm income in Manitoba, Saskatchewan, and Alberta was \$-.856 billion, \$-3.1 billion, and \$-1.8 billion in the 1987-93 period.

<sup>304</sup> Ottawa had to shore up the WSGP in the 1986-89 period, after record high payments drove the program it into a \$750 million into deficit. Skogstad, *Internationalization and Canadian Agriculture*, 75; Schmitz et al, *Agricultural Policy, Agribusiness, and Rent Seeking Behaviour*, 203.



1987 the Mulroney government implemented the Special Canadian Grains (SCG) program, which made two consecutive \$1 billion bailout payments to grain farmers. At the time farm groups were arguing that farmers required at least \$3 billion per year, just to keep their operations afloat.<sup>305</sup> Saskatchewan Premier Grant Devine had also lobbied Prime Minister Mulroney quite intensively. As a result, the second payment was announced in the final days of the 1987 Saskatchewan election campaign.<sup>306</sup> Ottawa added a third \$850 million drought assistance program just before the federal election in 1988.<sup>307</sup> Figures H1-H3 show the payment levels from these programs.<sup>308</sup> By the end of the decade the Mulroney government had paid out almost \$6 billion in farm subsidy payments, in direct response to the crisis in 1986-89.

Two concerns emerged out of the record high payments made in the late 1980s. The first was the growing federal deficit and debt. Interest payments on the debt climbed dramatically in the 1980s, from just over 15 percent in 1980 to 25 percent in 1989.<sup>309</sup> Many analysts and government officials argued that in a time when the federal government had to take action on its deficits and debts, record high farm subsidy payments could not be sustained. The second concern was the growing balkanization of farm subsidy programs across commodities and regions.<sup>310</sup> All programs were either directed at farmers of a specific region or province and/or the production of specific

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<sup>305</sup> “Farm Subsidies Increase Despite Long Term Plan,” *Windsor Star*, July 16, 1987, accessed March 19, 2012, <http://search.proquest.com>.

<sup>306</sup> “Wise Says There’s No Need To Apologize For Way Farm Subsidy Was Handled,” *Globe and Mail*, October 29, 1987, accessed March 19, 2012, <http://search.proquest.com>.

<sup>308</sup> The Special Canadian Grains program and the Special Drought Assistance programs are included in the “Other” category for the 1986-89 period.

<sup>309</sup> Jean Soucy, “Federal Spending: Changing Trends,” *Current Issue Review*, 87-2E, Ottawa, March 27, 2000, accessed March 19, 2012, <http://publications.gc.ca/Collection-R/LoPBdP/CIR/872-e.htm>.

<sup>310</sup> Skogstad, *Internationalization and Canadian Agriculture*, 75.

commodities. For instance, the Special Grains Program targeted Prairie grain farmers, the Tripartite Program targeted livestock farmers, and the Dairy Subsidy targeted dairy farmers. Many provinces had also implemented programs of their own. Federal officials had been concerned that some programs were being used to capture more market share, ever since the provinces began implementing their own programs in the 1970s. Concern related to the idea that disparities between regions and commodities distorted the natural comparative advantages among the regions, and made for an unfair playing field among Canadian farmers.<sup>311</sup>

The Mulroney government warned farmers that Canada could not afford to compete with EU and US subsidies, and that the only real solution to the trade war was a new GATT agreement.<sup>312</sup> The Uruguay Round of GATT negotiations had begun in 1986, and agriculture was included for the first time.<sup>313</sup> These negotiations reflected the transition from a food regime based on national regulation (import controls and export subsidies) to one based on international regulation (absence of import controls and decoupled, direct payments). However, in an attempt to end the crises of the transition period, the US and the Cairns group<sup>314</sup> countries (including Canada), convinced the EU to include agriculture in the Uruguay Round of negotiations in 1986.<sup>315</sup> Canada was hoping

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<sup>311</sup> Skogstad, *The Politics of Agricultural Policy-Making in Canada*, 71.

<sup>312</sup> “PM Doing Little For Farmers, Broadbent Says,” *Globe and Mail*, May 9, 1987, accessed March 19, 2012, <http://search.proquest.com>.

<sup>313</sup> Schmitz et al, *Agricultural Policy, Agribusiness, and Rent Seeking Behaviour*, 128.

<sup>314</sup> The Cairns group includes several ‘middle power’ countries (e.g. Canada, Australia, and Brazil) that originally formed an alliance in order to oppose US and EU subsidies, and push for liberalized trade in agriculture.  
See Andrew F. Cooper, *In Between Countries: Australia, Canada, and the Search for Order In Agricultural Trade* (Montreal: McGill-Queen’s University Press, 1997).

<sup>315</sup> Kimberley Ann Elliott, *Delivering On Doha: Farm Trade and the Poor* (Washington D.C.: Center for Global Development, Institute of International Economics, July 2006), 3.

that new trade rules would effectively constrain the ability of all governments to provide farm subsidies, which would finally create a level playing field in agriculture. With trade negotiations under way and the pressing desire to reign in farm subsidy spending, Canada, embarked on a major policy reform effort.

#### **4.2.3. Agriculture Policy Reform**

The Mulroney government's policy reform in agriculture began in 1989. Its new vision for agriculture, was introduced in a document entitled *Growing Together: A Vision for Canada's Agri-Food Industry*:

Our vision of the future is **a more market-oriented agri-food industry** that aggressively pursues opportunities to grow and prosper. The industry must be provided with a framework of consistent and predictable government programs that encourage **a more self-reliant sector** that is able to earn a reasonable return from the marketplace. This requires **national policies** which will reduce regulatory barriers and which treat all farmers equitably while at the same time **recognizing and responding to regional diversity**....<sup>316</sup>

The underlying objective was to reshape Canadian agriculture according to neoliberal principles. Agriculture was to become more businesslike, and the Canadian farmer was to become an atomistic economic actor, who depended less on government. This objective was to be achieved within the framework of a national policy, signaling the importance of policy harmonization and a level playing field across the provinces.

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<sup>316</sup> *Growing Together: A Vision for Canada's Agri-Food Industry*, Ottawa: Agriculture Canada, Communications Branch, November 1989, 3, accessed March 29, 2012  
<http://ia600801.us.archive.org/33/items/growingtogetherv00cana/growingtogetherv00cana.pdf>.

The principles for farm subsidies flowed directly from the vision statement expressed in Growing Together. First, farm subsidy programs were to apply to the whole farm unit, rather than specific commodities. This was intended to make Canadian farm subsidies comply with emerging norms in international trade agreements, for it was apparent that only whole farm programs would be permitted in the future, according to the trade rules under development in the Uruguay Round negotiations. The rationale was that commodity-specific programs encouraged farmers to ignore price signals and overproduce program commodities, which distorted markets and trade. Also, commodity-specific programs invariably meant that some commodities received more production than others, effectively encouraging over-production (e.g. the EU's infamous wine lakes and butter mountains). For these reasons the federal government sought to implement production-neutral programs.

Second, the provision of farm subsidies should be equal across regions, while also being flexible enough to address the particular needs of different regions. Concerns relating to regional disparities also spoke to the belief that some provinces were using programs to capture market share from other provinces, as discussed above.

Third, farm subsidy must be cost shared by farmers, provincial governments, and the federal government. The federal government wanted the provinces and farmers to assume more of the program costs, in order to reduce its own expenditures. Also, there was concern that farmers had become dependent on farm subsidy programs. Cost sharing was seen as a way that farmers could be required to assume more responsibility for the risk management of their operations. Ottawa aimed to implement a long term insurance style scheme that would end the need for ad hoc emergency bailouts, and would encourage farmers to put money away in good times and make withdrawals in bad

times.<sup>317</sup> Despite these justifications, cost sharing actually amounted to a downloading and privatization of responsibility for the costs of market failure in prairie agriculture, primarily onto farmers. The trick was getting them to believe that they could effectively ‘manage risk,’ if the right programs could be put in place.

Finally, farm subsidy programs should help farmers deal with short-term crises, while making necessary adjustments for long-term trends. Under this principle, *Growing Together* reads as follows: “Under normal long term market and crop yield conditions, farmers should expect to receive their returns from the market. The severe fluctuations that are common in agriculture can result in a short term crisis that threatens the longer term viability and self- reliance of producers.”<sup>318</sup> This principle reveals a key assumption made by the federal government at the time. Normal long term conditions were assumed to be a situation where farmers could make money from the market, and farm subsidy programs were to address those short term anomalies when they could not. But, what would happen if the normal long term conditions were actually the exact opposite of this assumption?

The reform effort involved a major review of agriculture policy, aimed at finding ways to implement the new vision and objectives outlined in *Growing Together*. The review was more comprehensive than had ever before been attempted in agriculture policy development.<sup>319</sup> It brought together representatives of all components of the food chain, including farmers, processors, retailers, and consumers. Importantly, though, the

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<sup>317</sup> Oliver Bertin, “Ottawa Plans to Move Toward Agricultural Insurance Plan,” *Globe and Mail*, December 13, 1988, accessed March 19, 2012, <http://search.proquest.com>.

<sup>318</sup> *Growing Together: A Vision for Canada’s Agri-Food Industry*, Agriculture Canada, 55.

<sup>319</sup> “Farm Safety Net Programs – Department of Agriculture – Chapter 10,” *1991 Report of the Auditor General of Canada*, (Ottawa: Public Works and Government Services Canada), 10.29, accessed March 19, 2012, [http://www.oag-bvg.gc.ca/internet/English/parl\\_oag\\_199111\\_10\\_e\\_8037.html#mp](http://www.oag-bvg.gc.ca/internet/English/parl_oag_199111_10_e_8037.html#mp).

voice of farmers was diluted, and corporate interests (processors and retailers) were granted official input. Eleven task force groups were established from among the representatives, to develop policy options in various policy areas related to agriculture.<sup>320</sup> The task force groups were given 18 months to undertake their reviews, and prepare their reports. The task force assigned to developing the new farm subsidy regime was the Grain and Oilseed Safety Net Committee (GOSNC).<sup>321</sup> The GOSNC was comprised of federal government officials and 34 farmers. The task forces presented their reports to the federal and provincial agriculture ministers in 1990, which then directed the implementation of their recommendations.

#### **4.2.4. Farm Income Protection Act**

In mid-November 1990, the federal and provincial agriculture ministers arrived at an agreement for the new farm subsidy regime, which would be called the Farm Income Protection Act (FIPA). The FIPA was a long term insurance scheme called a ‘safety net,’ designed to provide consistent and predictable protection against crop losses and low prices and guarantee grain farmers a minimum income.<sup>322</sup> The FIPA gave the federal government the authority to establish farm subsidy programs in conjunction with the

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<sup>320</sup> For instance, the Task Force on Competitiveness in the Agri-Food Industry was formed to examine impediments to competitiveness within the sector. Other task forces were formed around such topics as marketing and trade development, farm credit and financial management, agriculture transportation, food safety, supply management, sustainable agriculture development. Skogstad, *Internationalization and Canadian Agriculture*, 281.

<sup>321</sup> “Government Near Solution For Prairie Farmers: Officials,” *Ottawa Citizen*, May 29, 1989, accessed March 19, 2012, <http://search.proquest.com>.

<sup>322</sup> “Farm Safety Net Gets Thumbs Up, But Cost-Sharing Still Big Question Mark,” *Globe and Mail*, November 16, 1990, accessed March 20, 2012, <http://search.proquest.com>.

provinces.<sup>323</sup> The federal government, the provincial governments, and farmers would each share in the costs of the programs. For the first time, each new program would be a contract among three equal co-partners: farmers, the provinces, and the federal government.<sup>324</sup>

The FIPA regime consisted of two new and two established programs. The Crop Insurance (CI) had been established in 1959, and was designed to protect against crop yield losses. Payments were triggered when a farmer's crop yield fell below 70-80 percent of his/her historic average, due to a predetermined list of natural hazards.<sup>325</sup> The federal and provincial governments contributed 25 percent each, while farmers contributed 50 percent. The other carryover program was the National Tripartite Stabilization Program (NTSP), which had been established in 1986 and was designed to reduce losses against price changes or costs for hogs, cattle, lambs and some fruits and vegetables (apples, beans, and onions). The NTSP guaranteed a specified percentage of the average national gross margin (difference between costs and price) from the five preceding years. Farmers, the federal government, each province provided one-third of the program's funding.<sup>326</sup>

The two new programs were designed to complement the Crop Insurance and Tripartite programs. The Net Income Stabilization Account (NISA) was a subsidized

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<sup>323</sup> "Farm Safety Net Programs – Department of Agriculture – Chapter 10," *1991 Report of the Auditor General of Canada*, 10.29.

<sup>324</sup> Ibid.

<sup>325</sup> Richard R. Barichello, "Overview of Canadian Agricultural Policy Systems," in *Understanding Canada/United States Grains Disputes; Proceedings of the 1<sup>st</sup> Canada/U.S. Agricultural and Food Policy Systems Information Workshop – 1995*, ed. R.M.A. Lyons, Ronald D. Knutson, and Karl Miekle, (Oak Brook, IL: Farm Foundation, 1995), 44, accessed March 20, 2012, <http://farmfoundation.info/news/articlefiles/886-barichello.pdf>.

<sup>326</sup> Ibid., 43.

insurance program that allowed farmers to deposit three percent of their eligible net earnings, which was matched by the federal and provincial governments. NISA accounts were held by commercial banks or credit unions, and farmers were permitted to withdraw money from them when their net incomes fell below 70 percent of the previous three-year average.<sup>327</sup> Each province decided which commodities were to be covered by the NISA, which meant that the NISA was not available to farmers of the same commodities in every province. The other new program was the Gross Revenue Insurance Program (GRIP), which was designed to provide revenue protection and replace commodity-specific programs. The GRIP's payment trigger was based on a 15 year moving average of historical commodity prices and a farmer's long-term average yield.<sup>328</sup> The GRIP was funded according to a tripartite arrangement, involving the federal government (41 2/3 percent), the provincial governments (25 percent), and farmers (33 1/3 percent). The GRIP and the NISA were brought into operation when the FIPA was implemented in 1991.

#### ***4.2.5. Farm Groups' Views Toward Reforms***

Farm groups had mixed views regarding the new programs. The Western Canadian Wheat Growers Association (WCWGA) and the Western Barley Growers Association (WBGA) were concerned that the new programs would reward high risk farmers, and would encourage farmers to grow crops that were already experiencing depressed prices. The programs would actually only cover certain commodities, to be

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<sup>327</sup> Schmitz et al., *Agriculture Policy, Agribusiness, and Rent Seeking Behaviour*, 196-198.

<sup>328</sup> Barichello, "Overview of Canadian Agricultural Policy Systems," 44.



decided by each province.<sup>329</sup> The western cattle groups wanted a minimal scheme that would pay no more than six percent of farm income.<sup>330</sup> They very concerned about the threat of countervail by the US, on any program. The prairie wheat pools and Unifarm were concerned that the new programs were insufficient to address short-term income crises. The wheat pools argued that short term aid would still be required given the time it would take to get the programs up and running. The NFU warned that the program would only offer ‘financial suicide’ to farmers. NFU President Wayne Easter predicted that in a few years once the high prices of the 1970s were dropped and the low prices of the current time period (i.e. the early 1990s) were included, farmers would be left with high premiums and low payouts.<sup>331</sup> On the other hand, the Keystone Agricultural Producers (KAP) praised the new farm subsidy regime for the predictability and stability it would provide.<sup>332</sup> That fall, most groups were anxious about the details and wanted to get the new programs up and running soon due to low prices.

#### ***4.2.6. The Provinces’ Views Toward Reforms***

Concern among all three prairie provinces centered on the issue of program funding. Alberta estimated that the \$1.6 billion in farm subsidy costs it had incurred

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<sup>329</sup> Duncan Thorne, “Farm Groups See Big Hole In Cost-Share ‘Safety-Net,’” *Edmonton Journal*, October 19, 1990, accessed March 20, 2012, <http://search.proquest.com>.

<sup>330</sup> Duncan Thorne, “Farm Aid Plan Welcomed, But Many Concerns Remained,” *Edmonton Journal*, November 20, 1990, accessed March 20, 2012, <http://search.proquest.com>.

<sup>331</sup> “Farmers Unsatisfied With Latest Aid Plan,” *Ottawa Citizen*, January 15, 1991, accessed March 20, 2012, <http://search.proquest.com>.

<sup>332</sup> “Farmers’ Insurance To Offer Safety Net,” *Windsor Star*, November 16, 1990, accessed March 20, 2012, <http://search.proquest.com>.

between 1974 and 1988, would have cost it \$3.4 billion under the new regime.<sup>333</sup> Alberta was joined by Manitoba in refusing to participate in the NISA, citing the program's lack of cost limits. Manitoba chastised the federal government for offloading the cost of farm subsidy onto the provinces. Finally, both Manitoba and Saskatchewan argued that they would not be able to afford one third of the program costs, given that their agriculture sectors comprised a relatively higher proportion of their overall economies. Despite Saskatchewan's concerns, it signed onto both programs just prior to the provincial election.<sup>334</sup>

At the annual July agriculture ministers' meeting in 1991, concerns about program cost sharing dominated the debate. The provinces argued that federal off-loading was seriously stressing their treasuries. The new federal agriculture minister, Bill McKnight, retorted that agriculture is a joint industry that requires the responsibility of both orders of government.<sup>335</sup> There was a general feeling among the provinces that Ottawa alone should be responsible for payments to farmers for trade injury. The cost-sharing issue was referred to a committee, tasked with bringing recommendations to the fall ministers' meeting.<sup>336</sup>

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<sup>333</sup> Duncan Thorne, "Alberta Stall On Subsidies Called 'Ransom,'" *Edmonton Journal*, October 18, 1990, accessed March 20, 2012, <http://search.proquest.com>.

<sup>334</sup> Patrick Nagle, "Grain Industry Outlook Grim Despite New Farm Safety Net," *Vancouver Sun*, January 26, 1991, accessed March 20, 2012, <http://search.proquest.com>.

<sup>335</sup> Patrick Nagle, "Wide Ranging Discussions By Federal and Provincial Agriculture Ministers," *CanWest News*, July 4, 1991, accessed March 20, 2012, <http://search.proquest.com>.

<sup>336</sup> Patrick Nagle, "Fulminating Farming Issues Dumped On Committees," *CanWest News*, July 5, 1991, accessed March 20, 2012, <http://search.proquest.com>.

#### ***4.2.7. Farm Groups Renew Pressure for Assistance***

As the farm crisis continued into the fall of 1990, farmers kept up the pressure on the federal government. In October, eighteen Ontario farm groups met with federal Agriculture Minister Don Mazankowski to discuss their request for financial help, as a result of low prices, rising fuel costs, and wet weather.<sup>337</sup> They blamed US and EU subsidies for causing one of the worst situations since the Great Depression.

A major setback took place on December 8<sup>th</sup>, when news came that the GATT negotiations had broken down. The issue was the EU's refusal to cut subsidies by 75-90 percent; it had offered 30 percent. The federal government had been banking heavily on a GATT agreement, both for the well being of its agriculture sector and the success of its reforms. Canada's farm groups had also put plenty of hope in the GATT negotiations, to curb foreign subsidies and raise prices. Upon hearing that negotiations had ended, farm groups immediately began calling for emergency aid. They were concerned about delays in the implementation of the FIPA programs, and argued that they needed funds to get through the next production year.<sup>338</sup>

In early 1991 Mazankowski admitted that the farm crisis was not lifting and that the government may be faced with significant farm subsidy costs. Many farmers were in serious trouble due to the continued low prices. Several farm groups<sup>339</sup> and the prairie

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<sup>337</sup> "Ontario Farmers Pleading For Aid," *Windsor Star*, October 31, 1990, accessed March 20, 2012, <http://search.proquest.com>.

<sup>338</sup> Duncan Thorne and Joan Crockatt, "Farm Groups Call For Emergency Assistance," *Edmonton Journal*, December 8, 1990, accessed March 20, 2012, <http://search.proquest.com>.

<sup>339</sup> SWP, NFU, and WCWGA.

provinces<sup>340</sup> were calling for \$1.3 billion in order to ensure that farmers could make it through the year. Mazankowski conceded that ad hoc money might be required to get farmers through the next production year.<sup>341</sup> It was not expected that the new programs would be up and running until the fall, at the earliest. Mazankowski also conceded that if grain prices remained depressed, the new farm subsidy regime could cost as much as \$2.7 billion per year, rather than \$1.5 billion as originally forecast. The new regime was expected to guarantee farmers a wheat price of close to \$4 per bushel. While not ideal, Mazankowski estimated the price would be half that without it. Despite his admissions, Mazankowski refused to heed farm groups' demand for aid through the winter.

During the winter of 1991 there was considerable restlessness in the farm community, given the ongoing farm crisis, a possible drought in the upcoming growing season, and uncertainty surrounding the new farm subsidy program suite. During the winter federal agriculture officials were warning that extremely low moisture levels could mean a return to drought conditions similar to those experienced the previous decade. Farm groups stressed that they needed aid to make it through the year, and called on the federal government to clarify the details of the new programs.<sup>342</sup> Mazankowski emphasized that the new programs were the only option, and that it was important that all provinces sign on.

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<sup>340</sup> Duncan Thorne, "Isley Warns Safety Net Lacks Plan For Short Term Aid," *Calgary Herald*, January 9, 1991, accessed March 20, 2012, <http://search.proquest.com>.

<sup>341</sup> "Farm 'Safety Net' Won't Cure Troubles, Mazankowski Says," *Kitchener-Waterloo Record*, January 9, 1991, accessed March 20, 2012, <http://search.proquest.com>.

<sup>342</sup> Devine argued that hundreds of millions of dollars are needed soon, but Mazankowski argued that not much is available. Moreover, the federal government stated that it cannot help farmers in those provinces who have not signed on. "Confusion Reigns Over Farm Aid Programs," *Calgary Herald*, February 13, 1991, accessed March 20, 2012, <http://search.proquest.com>.

The federal government continued to face pressure for disaster assistance throughout August and September 1991. The CFA argued that farmers needed \$1 billion in aid, simply in order to make it through the period before the new programs became operational. The CFA's call for aid was echoed by the House of Commons agriculture committee, which called on the federal government to provide emergency payments. Finally, the prairie wheat pools and Ontario Corn Producers Association accused the federal government of trying to use the new programs as a cover, in order to shirk its responsibility for providing immediate aid to farmers to compensate for low prices.<sup>343</sup>

In August, Alberta finally agreed to participate in the NISA, as a drought engulfed the northeastern area of the province.<sup>344</sup> Ottawa committed to paying Alberta's share for 1991, and half its amount in 1992. Ottawa also agreed to let farmers out of paying their share in 1991. The federal government extended these payments to all of the provinces in order to get the program up and running, and also periodically provided top up payments in subsequent years.

After nearly a year of facing constant pressure from farm groups, McKnight announced a new \$800 million emergency aid program in October.<sup>345</sup> Farmers had staged rallies in Ontario and the prairie provinces, arguing that they required an immediate \$1.3 billion bailout. The culmination of their protest activity occurred on October 9<sup>th</sup>, when some 7,000 farmers participated in a demonstration in front of the Manitoba legislature. McKnight made the announcement two days later. The announcement came in the

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<sup>343</sup> Alex Binkley, "New Aid Plan A 'Smokescreen' To Stall On Funds, Say Farmers," *Ottawa Citizen*, September 4, 1991, accessed March 20, 2012, <http://search.proquest.com>.

<sup>344</sup> Duncan Thorne, "Alberta Joins Farm Income Support Plan; Foot Dragging Criticized," *Edmonton Journal*, August 16, 1991, accessed March 20, 2012, <http://search.proquest.com>.

<sup>345</sup> \$700 million went to grain and oilseed farmers, and \$100 went to farmers of other commodities. David Roberts and Drew Fagan, "Farm Bailout Condemned As Too Little, Too Late," *Globe and Mail*, October 11, 1991, accessed March 20, 2012, <http://search.proquest.com>.

middle of the Saskatchewan election campaign, where Premier Grand Devine faced imminent defeat to the NDP led by Roy Romanow. Farm groups argued that the program was not enough, and came too late for many of them to sustain their operations. Saskatchewan Premier elect Roy Romanow vowed to take up the fight at a large farmers demonstration held in a Regina hockey rink on October 25<sup>th</sup>.<sup>346</sup> He then took a delegation of 130 farmers to Ottawa in late November, to meet with Finance Minister Mazankowski and Prime Minister Mulroney.<sup>347</sup> Arguably, the announcement of an emergency aid program amounted to an admission that ad hoc programs would not disappear after all.

Rallies continued through 1992 and into 1993 as a farm income crisis continued despite the implementation of the FIPA programs. In January 1993, the SWP organized a major demonstration to draw attention to the fact that farmers were without money to plant the spring crop.<sup>348</sup> Some 12,000 farmers, farm leaders, business leaders, and other supporters crammed into Saskatoon's new SaskPlace arena. Romanow declared that his government did not have any available funds, and called on the Mulroney government to give farmers the same attention that Newfoundland cod fisherman had received.<sup>349</sup> The SWP had been requesting a \$1.2 billion in federal aid for farmers. It argued that the cost of land, seeds, fertilizers, and machinery far outweighed prices received for crops due to EU and US farm subsidies. Moreover, freakish weather had turned half of the 1992 crop into feed. The farm crisis was causing investment in land and machinery to

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<sup>346</sup> "Romanow Vows To Fight For Farmers," *Kitchener-Waterloo Record*, October 25, 1991, accessed March 20, 2012, <http://search.proquest.com>.

<sup>347</sup> "Romanow Prods Ottawa On Farm Crisis," *Globe and Mail*, November 27, 1991, accessed March 20, 2012, <http://search.proquest.com>.

<sup>348</sup> Patrick Nagle, "The Real Results Of This Week's Saskatchewan..." *CanWest News*, January 27, 1993, accessed March 20, 2012, <http://search.proquest.com>.

<sup>349</sup> "Farmers Need Help Romanow Tells PM 'Witnessing Destruction of Way of Life,'" *Hamilton Spectator*, January 27, 1993, accessed March 20, 2012, <http://search.proquest.com>.

depreciate to the point where no further mortgages could be made. McKnight responded to the request for new money by declaring that the federal government could not provide any more aid.

#### ***4.2.8. Farm Income Protection Act Unravels***

In 1992 there were already signs that the FIPA was beginning to unravel. The main problem was the surge in payments made from the Gross Revenue Insurance Program (GRIP), once it became operational. When the low commodity prices continued into the early 1990s, huge payments were triggered because the high prices from the 1970s were included in the program's rolling gross income average.<sup>350</sup> The GRIP made payments to farmers in Saskatchewan totaling \$885 million in 1991 and 1992, and another \$467 in 1993. In Alberta the GRIP made payments totaling \$575 million in 1991 and 1992, and another \$569m in 1993 and 1994. In Manitoba the GRIP paid out \$282m in 1991 and 1992, and another \$437m in 1993 and 1994. As a result, Saskatchewan announced that it would end its participation in the GRIP in 1992, pointing to the program's unsustainable costs. The other two Prairie provinces soon followed suit. Manitoba dropped out of the program in 1994, and Alberta abandoned it in 1995.

The FIPA programs were also blamed for causing the persistence of other problems they were intended to solve. First, critics alleged that the GRIP was actually a commodity specific program. The GRIP covered grain and oilseeds, which encouraged farmers to actually continue to grow crops that could not be sold at a decent price. It was

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<sup>350</sup> K. K. Klein and G. G. Story, "Structural Developments in the Canadian Grains and Oilseeds Sector," *Economic Harmonization in the Canadian/US/Mexican Livestock-Grain Subsector; Proceedings of the Fourth Agricultural and Food Systems Policy Information Workshop*, ed. R.M.A. Loynes, Ronald D. Knutson and Karl Meilke, (Oak Brook, IL: Farm Foundation December, 1998), 76, accessed March 20, 2012, <http://ageconsearch.umn.edu/bitstream/16758/1/ag980065.pdf>.

also argued that the program encouraged farmers to plant fencerow-to-fencerow, rather than leave some land fallow. Another alleged consequence was that the program stifled diversification, because farmers were encouraged to continue growing grains and oilseeds. The NISA was blamed for causing continued disparities between the provinces, because each province decided which commodities would be covered by the program. As a result, program coverage varied for across the country for farmers of similar commodities. For these reasons, both programs appeared vulnerable to trade challenge under the emerging GATT rules under development. A final criticism was that there was not enough clarity regarding the aim of the programs, and which farmers they should target for payments.<sup>351</sup> Consequently, the FIPA proved to be an expensive and highly regionally differentiated farm subsidy scheme.

### **4.3. Liberal Government Reforms**

#### ***4.3.1. Farm Income Recovers***

For the first time in a decade, the real incomes of prairie farmers improved in the mid 1990s. Manitoba's RNFI rose 640 percent to \$136 million in 1996, peaked the next year at \$202 million, before dropping back into negative territory in 1999. From 1996-98, Manitoba's RNFI totaled \$432 million. Saskatchewan's RNFI doubled in 1994, rising to \$389 million. After nearly returning to negative levels in 1996, Saskatchewan's RNFI peaked in at \$441 million the next year. Saskatchewan's RNFI totaled \$1.3 billion in the 1994-97 period. Alberta's RNFI improved over 130 percent when it reached \$85

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<sup>351</sup> Barry Wilson, "Auditor General Criticizes 'Poorly Targeted' Safety Nets," *Western Producer*, December 1, 1994, accessed March 20, 2012, <http://www.producer.com>.



million in 1994, and continued to rise, improving almost seven-fold when it peaked at a record high of \$593.5 million in 1996. Although Alberta's RNFI dropped by 77 percent the next year, it nonetheless remained positive at \$141 million. Alberta's total RNFI for the 1994-97 period was \$1.1 billion. The developments are illustrated in Figures F.1-F.3 and G.1-G.3.

Improved incomes were driven by a rise in farm commodity prices as illustrated in Figures B.1-B.3 and C.1-C.3. Analysts stated that the price increases were due to three simultaneous factors: increasing demand and trade in newly industrializing Asian countries, the depreciation of the US dollar, and three consecutive years of below-normal harvests in major grain-exporting countries.<sup>352</sup> As will be discussed later, the period of buoyant prices ended in 1997 when the financial crisis began, and Asian economic growth declined.

It is important to make the point that improved farm incomes in the mid-1990s, should not be interpreted as a change in the market power disparity between prairie farmers and agribusiness corporations. During this period the difference between total farm income generated from the markets and total RNFI, was almost \$50 billion.<sup>353</sup> That money was captured by other entities in the agricultural market place. Crucially, this period of relative farm prosperity served as the takeoff point wherein total farm market revenue began its steady ascent, while RNFI began a steady descent, as shown in Figures

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<sup>352</sup> May Peters, Suchada Langley, and Paul Wescott, "Agricultural Commodity Price Spikes in the 1970s and 1990s: Valuable Lessons For Today," *Amber Waves* (Washington DE.C.: Economic Research Division, United States Department of Agriculture, March 2009), 20-21, accessed March 17, 2012, <http://www.ers.usda.gov/AmberWaves/March09/Features/AgCommodityPrices.htm>.

<sup>353</sup> The difference between total market revenue and RNFI in Manitoba, Saskatchewan, and Alberta was \$8 billion, 19.4 billion, and 22.5 billion respectively.

F.1-F.3. During the same period almost \$2.5 billion in farm subsidy payments were made to prairie farmers.<sup>354</sup>

#### **4.3.2. *In Search of a National Whole Farm Program***

The Chretien Liberals won a majority government in October 1993. Soon after being appointed the new Minister of Agriculture, Ralph Goodale, got down to work on the Liberal's campaign promise of replacing the GRIP with a national whole farm program. He began by announcing that the new government would undertake a review of Canada's farm subsidy programs. It was the second major review of farm subsidy policy in five years. Goodale indicated that Ottawa needed to figure out how to get more bang for its buck, given the limited resources available for program funding. The deficit was a major preoccupation for the Liberal government from the start.<sup>355</sup> Also, in 1994 federal officials were confidently predicting that the new international trade rules would result in decreased foreign subsidies, and increased farm commodity prices (given that farmers would begin responding to market signals rather than commodity-specific farm programs that promoted overproduction). Clearly they believed that an era of prosperity was imminent.

Farm groups were nonetheless divided in their views regarding the Liberal reforms.<sup>356</sup> Some farm groups stressed the importance of ensuring that the new farm

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<sup>354</sup> Farm Subsidy payments totaled \$290 million in Manitoba, \$1.3 billion in Saskatchewan, \$929 million in Alberta.

<sup>355</sup> "Farm Safety Net Programs To Face Review By Federal Gov't," *Edmonton Journal*, November 27, 1993, accessed March 20, 2012, <http://search.proquest.com>.

<sup>356</sup> Donald Campbell, "Farmers Seek Middle Ground," *Calgary Herald*, February 5, 1994, accessed March 20, 2012, <http://search.proquest.com>.

programs were compliant with the new trade rules. It was crucial that the US would not be able to find any way to launch a trade challenge. The western cattle groups were particularly sensitive to US border closures. On the other hand, many farm groups (the NFU and provincial general farm groups) had grown weary from the prolonged farm crisis, which they blamed on the EU-US subsidy war. These groups insisted that the new program be capable of providing adequate protection if the trade deal fell apart, and another subsidy war broke out.

The conviction that new trade rules would bring prosperity to farmers fit well with Finance Minister Paul Martin's determination to undertake significant cuts in his February 1995 budget.<sup>357</sup> It was rumoured that Martin was looking to make over \$9 billion in cuts. Finance officials were eyeing the \$4 billion that was going to farm subsidy programs, believing that if indeed farm incomes were bound to improve, the farm subsidy money would not be needed. AAFC officials were warned that there might not actually be \$850 million available for the new farm subsidy programs, as originally promised.<sup>358</sup>

Not all shared the enthusiasm and confidence of the federal officials, however. Throughout 1994 a cloud of fear hung in the background. Some farm groups and provinces quietly wondered how long it would actually take for prices to rise and for profitability to return to Canada's farms, after the trade rules came into effect. Also, as talk of program cuts and leaner farm programs intensified, there was growing concern that farmers would be left exposed if the US and EU actually did not curb subsidies as required. For these reasons Alberta began to push for transitional farm subsidy program

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<sup>357</sup> Donald Campbell, "Farm Aid Talks Face Obstacles," *Calgary Herald*, February 3, 1994, accessed March 20, 2012, <http://search.proquest.com>.

<sup>358</sup> Barry Wilson, "Federal Safety Net Funding Not Fully Guaranteed," *Western Producer*, May 12, 1994, accessed July 7, 2007, <http://www.producer.com>.

funding, in order to give more time for commodity prices to rise and the new farm subsidy regime to be established.

The framework for the new farm subsidy regime was decided at the federal and provincial agriculture ministers' meetings in 1994. Goodale cited the all too familiar objective of wanting to move away from the "minute-to-minute crisis management in Canadian agriculture," toward a system that would ensure long-term stability.<sup>359</sup> The core of the new system would be an enriched and expanded NISA, which would allow farmers to put money away in good years and make withdrawals when their incomes dropped in bad years. Farmers would be permitted to put away up to 3 percent of eligible net sales, while the federal government would add 2 percent and the provinces 1 percent. Government officials expected that \$800,000 would accumulate annually in farmer's accounts. Goodale expressed confidence that the new program suite would meet the objective ensuring that farmers were responsible managing the income of their operations, rather than being reliant on government for ad hoc payments. Only the supply managed commodities (i.e. dairy, poultry, and eggs) would not be covered by the NISA. Also, Crop Insurance would remain untouched, and the remaining GRIP funds would be available for distribution even if a province had pulled out of the program. The ministers agreed to have the new regime operational by January 1995.<sup>360</sup> However, due to division between the provinces and the 1995 budget cuts (discussed below), a final agreement was not reached until 1996.

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<sup>359</sup> "Agriculture Ministers Approve Safety Net," *Edmonton Journal*, December 20, 1994, accessed March 20, 2012, <http://search.proquest.com>.

<sup>360</sup> "Ministers Agree On Principle of Farm Income Program," *Canadian NewsWire*, July 5, 1994, accessed March 20, 2012, <http://search.proquest.com>.

### 4.3.3. *Crow Benefit Reform Debate*

A major issue under debate in 1994 concerned the reform of the Crow Benefit. As discussed above, the Crow Benefit was a subsidy paid to the railways in exchange for lower freight rates on the movement of grain. The Liberal government's rationale for the change left no mistaking its intent to continue with neoliberal reforms, and the degree of acceptance that the neoliberal commodity farm groups' arguments against the Crow Benefit had achieved. The first reason advanced by the government was the need for fiscal restraint. The federal government had already reduced the Crow Benefit from \$726 to \$560 in 1994<sup>361</sup>, and hinted that it might be reduced even more.<sup>362</sup> A second reason was the new international trade rules set to become operational in 1995.<sup>363</sup> A final reason was that the Crow Benefit had stifled diversification in the prairie region. Farmers favoured the production of traditional grain crops, because they did not have to pay the full cost of shipping grains. In addition, livestock production and value added processing were held back because lower transportation encouraged the production of grains for export.<sup>364</sup> The removal of the Crow Benefit was deemed to be the answer to these problems.<sup>365</sup>

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<sup>361</sup> "Western Grain Transition Payments Program - Agriculture and Agri-Food Canada - Chapter 28," *1996 November Report of the Auditor General of Canada*, (Ottawa: Public Works and Government Services Canada, 1996), 28.9, accessed March 20, 2012, [http://www.oag-bvg.gc.ca/internet/English/parl\\_oag\\_199611\\_28\\_e\\_5059.html](http://www.oag-bvg.gc.ca/internet/English/parl_oag_199611_28_e_5059.html).

<sup>362</sup> "It's East Versus West As Crow Benefit Debate Nears Climax," *Canadian Press*, November 26, 1994, accessed March 20, 2012, <http://search.proquest.com>.

<sup>363</sup> The WTO rules (AoA) required a phase out of export subsidies over a six-year period.

<sup>364</sup> Darcie Doan, Brian Paddock, Jan Dyer, "Transportation Policy and Transformation in Western Canadian Agriculture," in *Policy Reform and Adjustment in the Agricultural Sectors of Developed Countries*, ed. D. Blandford and B. Hill (Cambridge, M.A.: CAB International, 2006), 2-3.

<sup>365</sup> Analysis by AAFC officials showed that the removed of the Crow Benefit would create "a more flexible and efficient grain transportation system, and that the benefits of increased efficiency would be *shared* among farmers, shippers and railways." Ibid: 3.

Under the new GATT agreement, the Crow Benefit was considered an export subsidy, because it subsidized the movement of grain to port position. The agreement on export subsidies constituted the third pillar of the AoA, and required developed countries to reduce them by 35 percent in value, or 21 percent in volume, over the following six year period.<sup>366</sup> Thus, the federal government was not required to terminate the Crow Benefit immediately. While some farm groups such as the NFU opposed any reform effort<sup>367</sup>, the government had used the specter of the new trade rules to create a sense of inevitability in the farm community about the change. Moreover, in the 1994-95 period, grain prices had risen for the first time in years, a situation that served to effectively pacify much of the farm community. Thus, the federal government was able to shift the debate from whether the reform should happen at all, to how the reform would take place.

Goodale made it clear that the reform would involve changing the method of payment. Rather than making payments to the railways, the government would pay the money directly to farmers. However, that change brought forth a new series of questions. How much was the Crow Benefit worth? Over what time period should the payments be made? What farmers should receive the payments? What size of payment should each farmer receive? Goodale initially tried to sell the idea of a \$2 billion, four-staged buy-out.<sup>368</sup> He asked the farm groups to decide how they wanted the Crow money paid out to farmers. The ensuing debate caused division among them.

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<sup>366</sup> The first pillar consisted of the categorized box system for domestic subsidies and the second pillar consisted of market access rules.

<sup>367</sup> "Report Will Alter 'Sacred' Crow Benefit." *Kitchener-Waterloo Record*, February 22, 1994, accessed March 20, 2012, <http://search.proquest.com>.

<sup>368</sup> "Little Support For Safety Net Substitute," *Western Producer*, December 22, 1994, accessed July 10, 2007, <http://www.producer.com>.

Two debates emerged concerning the Crow reform. One debate concerned the value of the Crow. The farm groups argued that the Crow Benefit should be valued at \$7 billion, at least.<sup>369</sup> Goodale immediately threw cold water on the suggestion, retorting that the farm group's number was far too high in the context of budget restraint. The other debate concerned how the Crow Benefit money should be paid out to farmers. A broad coalition of farm groups indicated that they could live with Goodale's suggestion of a buyout, as long as it was worth \$7 billion.<sup>370</sup> Some groups proposed rolling at least some of the funds into the new farm subsidy program, or the NISA.<sup>371</sup> Alberta's general farm group, Unifarm, was open to some money going to other farmers, if it meant getting the Crow reform completed. Quebec even made a bid for some of the Crow funds, arguing that its farmers should be compensated because the end of the Crow could mean lower prices for its livestock, due to increased production in the West and higher feed costs.<sup>372</sup> Cattle groups wanted the Crow entirely scrapped, outright. Most of the prairie grain farm community, however, was vehemently opposed to the idea of the Crow money going to farmers outside the prairie region.<sup>373</sup> For instance, the UGG wrote a letter to

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<sup>369</sup> Schmitz et al calculated that the true value of the Crow Benefit buyout should have been \$8.8 billion. Troy Schmitz, Tim Highmoor, and Andrew Schmitz, "Termination of the WGTA: An Examination of Factor Market Distortions, Input Subsidies and Compensation," *Canadian Journal of Agricultural Economics* 50, 3 (November 2002): 342.

<sup>370</sup> Barry Wilson, "This Year Promises To Be Pivotal One For Agriculture," *Western Producer*, January 5, 1995, accessed July 10, 2007, <http://www.producer.com>; United Grain Growers, barley, wheat and canola growers' associations, rural municipality associations, Unifarm, Keystone Agricultural Producers and alfalfa dehydrators. Barry Wilson, "Farm Coalition Offers Crow Buyout Plan," *Western Producer*, January 19, 1995, accessed July 13, 2007, <http://www.producer.com>.

<sup>371</sup> Barry Wilson, "Provinces Put Aside Differences To Fight Crow Dilution," *Western Producer*, July 14, 1994, accessed July 13, 2007, <http://www.producer.com>.

<sup>372</sup> "It's East Versus West As Crow Benefit Debate Nears Climax," *Canadian Press*, November 26, 1994, accessed March 20, 2012, <http://search.proquest.com>; Barry Wilson, "Quebec Ups Ante In Crow Payout Request," *Western Producer*, June 15, 1995, accessed July 21, 2007, <http://www.producer.com>.

<sup>373</sup> In the past the three provinces had not always been on the same page with respect to the method of payment for the Crow: Alberta had been a strong proponent of changing the method of payment;

Goodale to say that all of the Crow Benefit money should be paid only to western farmers, based on cultivated acres.<sup>374</sup> Division among the farm groups ultimately allowed the federal government to pursue its own course with respect to the Crow Benefit reform.<sup>375</sup>

In the background, many farmers and analysts feared the potential consequences of the end of the Crow Benefit. Although prices were rising, they were all too aware of the perpetual cost-price squeeze that farmers grappled with. The increased freight rates that farmers would have to pay once the Crow was gone, could very well undercut any price gains that were being made. In addition, analysts warned that the new trade rules did not mean that reform had to occur all at once. Moving too fast could mean the end for as many as 20,000 farmers in the next few years. Such an occurrence would devastate rural communities and would only send those farmers into some other safety net. Finally, there was concern that almost no one was asking whether the US and EU intended to eliminate their export subsidies, and when.

#### **4.3.4. Federal Budget, 1995**

In late February 27 1995, federal Minister of Finance, Paul Martin, tabled the Liberal government's austerity budget in the House of Commons.<sup>376</sup> Martin's budget

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Manitoba had been a relatively strong advocate of change; and, Saskatchewan had always been strongly opposed.

<sup>374</sup> Adrian Ewins, "Restore Crow Payment UGG," *Western Producer*, December 15, 1994, accessed July 13, 2007, <http://www.producer.com>.

<sup>375</sup> Schmitz et al., "Termination of the WGTA: An Examination of Factor market Distortions, Input Subsidies and Compensation," 344.

<sup>376</sup> Barry Wilson, "Martin Spreads Cuts Through Entire Department," *Western Producer*, February 28, 1995, accessed July 13, 2007, <http://www.producer.com>.



slashed \$9.7 billion in federal expenditures for the 1995-98 period, including significant cuts to agriculture.<sup>377</sup> AAFC's budget was slashed by \$445 million (21 percent of its operating budget),<sup>378</sup> which included 2,069 positions (21.5 percent reduction of AAFC's workforce). AAFC's research program was also slashed and restructured. For the 1995-98 period, \$35 million in federal research money would only be spent on projects where it could be matched by private funds. Finally, just over half of the total value of the cuts to agriculture (\$250 million) came from farm subsidy funding. Funding for farm subsidy programs in the 1995-98 period was reduced from \$850 million to \$600 million (30 percent). The cuts also included the reduction of the \$228 million per year dairy subsidy program by 15 percent in the 1995-97 period, and the ten year phase out of the feed freight assistance program (which mostly benefited BC and Maritimes farmers).

The most significant cut for prairie agriculture, however, was the Crow Benefit, which was valued at \$560 million per year.<sup>379</sup> As compensation for the termination of the Crow Benefit, the federal government gave prairie farmers a one-time \$1.6 billion buy-out payment and \$300 million for 'transition' payments.<sup>380</sup> The Western Grains

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<sup>377</sup> *Budget Plan, Including Supplementary Information and Notices of Ways and Means Motions*, Tabled in the House of Commons by the Honourable Paul Martin, P.C. M.P., Minister of Finance, (Ottawa: Department of Finance Canada, February 27, 1995), 36, accessed March 21, 2012, <http://fin.gc.ca/budget95/bin/budget1995-eng.pdf>.

<sup>378</sup> *Ibid.*, 36 and 92-93.

<sup>379</sup> *Ibid.*, 92.

<sup>380</sup> The federal government followed the recommendations of the Producer Payment Panel (PPP), with respect to the compensation and transition payments. The PPP was formed by Federal Progressive Conservative Agriculture Minister Charlie Mayer in July 1993, and was tasked with making recommendations regarding how the Crow Benefit monies could be paid to farmers rather than the railroads. The PPP was chaired by University of Alberta Dean of Agriculture Dr. Ed Tyrchniewicz and was comprised of other experts and technical working groups. It undertook extensive consultations with various stakeholders, and extensive analysis. The PPP tabled its report in July 1994. "Western Grain Transition Payments Program - Agriculture and Agri-Food Canada - Chapter 28," *1996 November Report of the Auditor General of Canada*: 28.21-28.27; Jacques, *Unifarm: A Story of Conflict and Change*, 266-267.; "Committee Says Crow Benefit Has To Change," *Canadian Press Newswire*, July 1994, accessed March 20, 2012, <http://search.proquest.com>.

Transition Payments Program (WGTPP) was implemented to make the buy-out payments, which were allocated to each western province on the basis of their historical shares of the WGTA.<sup>381</sup> Payments were allocated to farmers based on distance from port and his/her historical amount of land in production. The Western Grain Transportation Adjustment Fund (WGTAJF) was implemented to distribute the transition payments over a three-year period. The end of the Crow meant that freight rates paid by prairie farmers increased two or three-fold in the 1995-96 crop year, and have become the largest cost borne by farmers ever since.<sup>382</sup> The compensation payments paid out to farmers, paled in comparison to the \$7 billion that the farm groups and agricultural economists felt that prairie farmers were entitled to receive.<sup>383</sup>

In the aftermath of the Martin budget, the federal government promoted the cuts as being beneficial for Canadian agriculture in the long run. Goodale argued that the cuts would improve efficiencies and make agriculture more profitable down the road.<sup>384</sup> Also, AAFC officials stated that Canada was cutting deeper and faster than any of its competitors, in an effort to give Canada a competitive advantage in the future.<sup>385</sup> The argument was that by forcing Canadian farmers to adapt and become more market-

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<sup>381</sup> Doan et al., "Transportation Policy and Transformation in Western Canadian Agriculture," 4.

<sup>382</sup> The per farmer cost of a typical 1,000-mile haul doubled from approximately \$15 Cdn per tonne to \$30 Cdn per tonne.  
Schmitz et al., "Termination of the WGTA: An Examination of Factor market Distortions, Input Subsidies and Compensation," 335.

<sup>383</sup> Ed White, "Sask Pool President Calls Federal Budget 'Punitive,'" *Western Producer*, March 2, 1995, accessed July 21, 2007, <http://www.producer.com>; Schmitz et al., *Agricultural Policy, Agribusiness, and Rent-Seeking Behaviour* (2002), 173.

<sup>384</sup> "Goodale Sees Big Sales Job Ahead," *Western Producer*, March 2, 1995, accessed July 22, 2007, <http://www.producer.com>.

<sup>385</sup> Barry Wilson, "Slash Subsidies Now, Benefit Later: Minister," *Western Producer*, May 25, 1995, accessed July 19, 2007, <http://www.producer.com>.

oriented, they would hold an advantage over their competitors when eventually all countries had been forced to greatly reduce their farm subsidy. The federal government was clearly putting its faith in the WTO and the good faith of its trading partners. Some farm groups and analysts alleged that in fact, Canada was just leaving its farmers exposed to a future disaster.<sup>386</sup> Other analysts argued that Canada was playing boyscout, in attempting to lead the way with reforms, and leaving its farmers exposed as a result.<sup>387</sup> Canada was continuing to place its faith in the GATT/WTO institutional arrangement as the magic bullet for the agri-food sector. One could say that Canada had actually denuded its farmers, at the very moment the new food regime was established. Prairie farmers would be exposed to the power of agribusiness TNCs as never before.

#### ***4.3.5. Provincial Divisions***

The federal and provincial agriculture ministers were unable to finalize the details of the new farm subsidy regime for 1995 as planned. The main culprit was the deep rift that had opened between the provinces. There was disagreement with respect to how the federal farm subsidy program funding (\$600 million) would be distributed between the provinces. Ontario argued that the federal funding should be divided according to the relative size of each province's agriculture sector. Saskatchewan and Manitoba,

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<sup>386</sup> Already in the Spring of 1994 Grace Skogstad warned farmers at the CFA annual convention that Canada should be very careful about moving too fast on its planned reforms, because the GATT agreement probably would not require immediate and sweeping action that would just leave Canadian farmers exposed.

Adrian Ewins, "GATT Used As Excuse To Switch Farmers' Allegiances," *Western Producer*, March 3, 1994, accessed July 18, 2007, <http://www.producer.com>; SWP and SARM leaders were very concerned that the good times would not last, and that farmers were very exposed to any downturn that might occur. "Organizations Anxious to Discuss Concerns with New Ministers," *Western Producer*, June 29, 1995, accessed July 18, 2007, <http://www.producer.com>.

<sup>387</sup> Epp and Whitson, "Introduction: Writing Off Rural Communities?," XVII.

however, retorted that the distribution of funds should take into account the relative risk of a province's agriculture sector.<sup>388</sup>

There was also disagreement regarding the payment trigger for the new NISA program.<sup>389</sup> Alberta preferred 'bare bones' farm subsidy programs, which would require deeper losses to trigger payments and would pay less when payments were triggered. It proposed a requirement where farm income would have to fall below 70 percent of the farmer's historical average, before he/she would be eligible for a payment. Alberta also proposed that farmer contributions be used for the first payments. By contrast, the federal government and the rest of the provinces favoured an easier payment trigger, such as 80 or 85 percent.

The third disagreement concerned how much flexibility the provinces would be permitted, with respect to introducing their own programs. Alberta and Quebec preferred bloc transfers, which could be used for their own programs. On the other hand, the rest of the provinces and the federal government preferred less flexibility and national standards.<sup>390</sup>

A fourth issue involved about the patchwork of farm subsidy programs that had emerged across the provinces. The fear was that there would be a return to interprovincial subsidy wars that took place in the 1970s and early 1980s. Alberta's new

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<sup>388</sup> The agriculture sector's of Saskatchewan and Manitoba comprised a relatively large share of their total economies and were relatively more prone to natural disasters such as drought.

Barry Wilson, "Goodale Issues Deadline for Farm Safety Net Deal," *Western Producer*, August 10, 1995, accessed July 18, 2007, <http://www.producer.com>. Alberta argued that payments from the new national program should be more difficult to trigger.

<sup>389</sup> It advocated a threshold where payments would only be triggered once farm income fell below 70 percent of a rolling historical average. Goodale and most of the provinces wanted a higher payment threshold.

<sup>390</sup> Barry Wilson, "Ministers Prepare For Tough Talk," *Western Producer*, August 3, 1995, accessed July 18, 2007, <http://www.producer.com>.

Farm Income Disaster Program (FIDP) had become a major cause for concern.<sup>391</sup> Saskatchewan argued that that Alberta's farmers were at an advantage because of its FIDP program.<sup>392</sup> In addition, the implementation of the FIDP allowed Alberta to end its participation in the NISA in 1997, citing concern that the program was vulnerable to trade challenge.<sup>393</sup> The federal government quickly moved to cover Alberta's share of the program funding, diverting funds from the money that was to be used for the FIDP. The federal government had effectively taken over the administration of the NISA in Alberta. Also, Quebec was pressuring for changes in its agreement with Ottawa, because it wanted the ability to run its own programs.<sup>394</sup> It also preferred to deal with Ottawa directly, rather than participate in the federal-provincial negotiations process. Manitoba had begun shifting to a two-tier system in 1994.<sup>395</sup> A two-tier system allows farmers to purchase basic protection for 50-60 percent of long term yields at relatively low premium cost, and additional coverage for higher cost. The CFA asked Goodale to insist that no

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<sup>391</sup> Kevin Wipf, "Contemporary Farm Income Support Policy In Canada: The Case of Prairie Agriculture Since 1996," *Canadian Journal of Agricultural Economics*, Vol. 56, No. 4, December 2008: 473-491.

<sup>392</sup> Saskatchewan, Alberta, and BC also adopted two-tier systems in 1997.

Barry Wilson, "Special Provisions, Opting Out Waters Down National Safety Net," *Western Producer*, July 11, 1996, accessed July 17, 2007, <http://www.producer.com>.

<sup>393</sup> Barbara Duckworth, "Alberta Ponders Safety Net Program," *Western Producer*, January 30, 1997, accessed July 12, 2007, <http://www.producer.com>.

<sup>394</sup> Quebec's had a unique set of farm subsidy programs in place, which provided cost of production coverage. Barry Wilson, "Special Provisions, Opting Out Waters Down National Safety Net," *Western Producer*, July 11, 1996, accessed July 12, 2007, <http://www.producer.com>.

<sup>395</sup> *Federal-Provincial Crop Insurance Program – An Integrated Environmental-Economic Assessment*. (Ottawa: Agriculture and Agri-Food Canada, Policy Branch, Economic Analysis Directorate, 1998), accessed April 1, 2012, <http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1195759197447&lang=eng>, , 2012; Barry Wilson, "CFA Leaders Want Hard Line On Crop Insurance," *Western Producer*, August 1, 1996, accessed July 13, 2007, <http://www.producer.com>.

further federal money would be provided, unless each province consulted with its farmers before making changes to their respective crop insurance programs.

Given the failure to resolve these issues, Goodale issued an ultimatum: the provinces would have until September 30th to arrive at an agreement, or the federal government would impose its own plan unilaterally.<sup>396</sup>

#### **4.3.6. Federal-Provincial Agreement On Safety Nets, 1996**

After almost two years of negotiations, the federal government and the provinces finally arrived at a new agreement for a new farm subsidy program suite in 1996, called the Federal-Provincial Safety Net Policy Framework Agreement. Two key milestones were reached, with respect to the establishment of predictable and stable farm subsidy programs. First, a ‘Safety Net Envelop’ for farm subsidy program funding was established.<sup>397</sup> Program funding had traditionally been driven by the programs themselves (demand-trigger), making total costs unpredictable and uneven payment levels across the provinces.<sup>398</sup> Total funding was set at \$1 billion for the three-year duration of the agreement. Second, a federal-provincial funding formula was established, which would apply to each program. The federal government would provide 60 percent of the funding and the provinces would provide 40 percent, which meant that the federal

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<sup>396</sup> Barry Wilson, “Goodale Issues Deadline For Farm Safety Net Deal,” *Western Producer*, August 10, 1995, accessed July 13, 2007, <http://www.producer.com>.

<sup>397</sup> *Safety Net Review, Prepared for Federal/Provincial/Territorial Ministers of Agriculture*, Federal/Provincial Safety Net Working Group, (Ottawa: Collections, January 2002), accessed April 3, 2012 <http://publications.gc.ca/collections/Collection/A22-263-2002E.pdf>.

<sup>398</sup> Some programs were funded by federal or provincial governments, some cost-shared by governments, and others cost-shared by farmers and one government.

government would provide \$600 million and the provinces \$400 million for the \$1 billion envelope.<sup>399</sup>

A third component of the agreement was the distribution of the federal monies between the provinces. It was decided that the federal government's portion would be distributed according to a formula based on the relative size of a province's agriculture sector and the relative risk associated with its particular commodity production mix. For instance, Ontario's agriculture sector was very large in terms of total annual income, but Saskatchewan's agriculture sector carried a lot of risk due to the frequency of natural hazards and the wild price swings associated with export crop production. Fourth, the NISA would be expanded to cover all commodities except those under supply management systems (i.e. dairy, poultry, and eggs), in order to serve as the national whole farm program. Fifth, Crop Insurance was also carried over from the previous regime. Finally, provincial companion programs were included in the agreement, in order to accommodate the wishes of some provinces (i.e. Alberta and Quebec) to implement their own programs. The federal government signed a separate agreement with each province, based on the principles above.<sup>400</sup>

#### ***4.3.7. Farm Groups' Views Toward New Agreement***

There were concerns among the farm groups regarding the new farm subsidy program suite. One concern related to the wisdom of using a NISA-like program as the

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<sup>399</sup> "Feds Kick In \$260 Million," *Western Producer*, April 10, 1997, accessed July 16, 2007, <http://www.producer.com>.

<sup>400</sup> Skogstad, *Internationalization and Canadian Agriculture*, 82-83.

centerpiece.<sup>401</sup> The NFU warned that NISA would leave many farmers defenseless in the event of a natural disaster or renewed trade war. Its reason was that NISA was based on income rather than need; the higher a farmer's income, the more he/she could contribute. Most farmers actually had little money in their accounts, while a few farmers had quite a bit of money put away in their accounts. Moreover, the NISA was not useful for beginning farmers, who typically had no funds to contribute and thus could not participate in the program.<sup>402</sup> As a result, taxpayers were actually subsidizing a few wealthy farmers and the program was useless for the farmers who most needed assistance.

Another concern expressed by the neoliberal farm groups related to the question of whether farm subsidy programs should be used at all in the free trade era. The western cattle groups including the Alberta Cattle Commission, the Western Stock Growers, Alberta Cattle Feeders, Canadian Cattlemen's Association, the British Columbia and Manitoba Cattle Producers Associations, and the Saskatchewan Stock Growers Association, all rejected farm subsidy programs.<sup>403</sup> For instance, the Manitoba Cattle Producers Association voted to stay out of the NISA program. Their main concern was the fear of trade retaliation by the US.<sup>404</sup> The Saskatchewan Stock Growers Association also rejected participation in the NISA, stating that it was more appropriate for grain and

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<sup>401</sup> Adrian Ewins, "Farmers' Union Questions Wisdom of New Safety Net," *Western Producer*, January 26, 1995, accessed July 17, 2007, <http://www.producer.com>.

<sup>402</sup> Farmers can receive a three percent interest bonus for additional deposits up to 22 percent of eligible net sales.

<sup>403</sup> Barbara Duckworth, "Cattle Groups Want Out of Safety Nets," *Western Producer*, January 26, 1995, accessed July 13, 2007, <http://www.producer.com>.

<sup>404</sup> Mary McArthur, "No Complaints Heard On Pullout from NISA," *Western Producer*, January 5, 1995, accessed July 13, 2007, <http://www.producer.com>.



hog farmers who face wild fluctuations in income.<sup>405</sup> However, the federal and provincial governments were insistent that the cattle groups participate, because they needed the new programs to apply to all commodities in order to make them permissible under WTO rules.

By 1997 the CFA, UPA, and other farm groups began warning that the new farm subsidy regime would not be enough. They pointed out that the increase in exports and rising gross revenue that the government liked to champion, meant nothing if farm commodities were being sold at a loss. Farmers were being squeezed by high input costs (which had increased by 20 percent over the previous three years) and falling commodity prices.<sup>406</sup> Moreover, the funding was inadequate for a true national program suite, as there was not enough money for every farmer to actually join the programs. Nor was there enough funding if farm income took a steep drop, as appeared to be happening.<sup>407</sup> Making matters worse was the fact that 1997 was the first year that prairie farmers would be fully responsible for their freight costs, and drought and flooding had caused poor crop yields and quality.<sup>408</sup> It would soon become clear, that these events were merely a sign of things to come.

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<sup>405</sup> Ed White, "Forced Inclusion in NISA Upsets Cattle Producers," *Western Producer*, June 22, 1995, accessed July 14, 2007, <http://www.producer.com>.

<sup>406</sup> Barry Wilson, "Farm Incomes Squeezed By Climbing Input Costs," *Western Producer*, May 29, 1997, accessed July 13, 2007, <http://www.producer.com>.

<sup>407</sup> Barry Wilson, "Goodale May Boost Safety Nets," *Western Producer*, June 12, 1997, accessed July 13, 2007, <http://www.producer.com>.

<sup>408</sup> Roberta Rampton, "Farm Leader Paints Dismal Picture," *Western Producer*, August 14, 1997, accessed July 13, 2007, <http://www.producer.com>.

#### **4.4. Conclusion**

By 1996 the policy reforms carried out by the Mulroney PC government and Chretien Liberal governments, appeared to set Canadian agriculture on a new market liberal course. The major export subsidy (Crow Benefit) for prairie farmers had been terminated, farm subsidy programs were refashioned to fit WTO rules, farm subsidy spending had been reduced, an expenditure cap put in place, a cost-sharing formula established. Indeed, from the perspective of market liberal advocates, all appeared well and Canadian agriculture had become a success story. However, there was a crucial contradiction at the core of the Canadian government's reforms. Moreover, they would be leaving their farmers completely disadvantaged in relation to their more powerful trading partners (the US and EU) who might not choose to undertake reforms as quickly and who would still be able to spend more on farm subsidy programs. In a word, Canadian governments never attempted to address the power relations within the agri-food sector. Many prairie farmers were weary of the changes, holding minimal faith in the WTO's ability to constrain foreign subsidies. Indeed, as will be shown in the next chapter, the reforms set the stage for the hyper-extraction of wealth by agribusiness TNCs. This extraction was so intense that prairie agriculture was plunged back into a prolonged crisis that would not cease for over a decade.

## **Chapter 5**

### **Farm Subsidy Policy Expansion: 1998-2012**

#### **5.1. Introduction**

The mid-1990s witnessed an effort to reshape farm subsidy policy in accordance with international trade rules. Both the Mulroney PC and Chretien Liberal governments undertook reforms to farm subsidy programs. By the end of 1996, the Crow Benefit had been terminated, farm subsidy program expenditures had been reduced, an expenditure cap had been put in place, programs had been redesigned according to WTO rules, and a cost sharing formula had been established. The success of the Liberal reform effort was largely due to the fact that prairie farmers had been pacified by the recovery of farm incomes. Indeed, buoyant farm prices had led many in the farm community to believe that prairie agriculture was firmly set onto a new prosperous course. However, as will be seen, this was not the case. In fact, prairie agriculture fell into an even deeper period of prolonged crisis. The result was a renewed expansion of farm subsidy programs and expenditures.

#### **5.2. Farm Subsidy Reform Unravels**

##### ***5.2.1. Farm Crisis Returns***

The farm crisis returned in 1998, and continued for almost another whole decade. The bottom fell out of Saskatchewan's Realized Net Farm Income (RNFI) in the late

1990s, when it dropped from \$584.3 million in 1997 to \$-675.5 million by 2000, and totaled \$-902 million in the 1998-2002 period. Alberta's RNFI dropped by just over \$1 billion from 1996 to 1999. After four consecutive years of positive returns, Alberta's RNFI fell to negative levels in 1998, where it has remained ever since. Alberta's RNFI totaled \$-1.1 billion in the 1998-2002 period. Manitoba's farmers fared somewhat better than their prairie counterparts in the 1998-2002 period. After three consecutive years of positive returns, Manitoba's RNFI dropped by 160 percent to \$-68 million in 1999, and remained virtually unchanged for another year.<sup>409</sup> In 2001 and 2002 Manitoba farmers enjoyed a revival comparable to the mid-1990s. In 2001 Manitoba's RNFI tripled from the previous year when it arrived at \$134 million, and then more than doubled again the next year. Manitoba's RNFI thus improved dramatically from when it stood at \$-66 million in 2000, to when it peaked at \$295 million in 2002. Manitoba's RNFI totaled almost \$390 million from 1998-2002. These developments are demonstrated in Figures F.1-F.3 and G.1-G.3.

During this period the corporations located downstream from the farm sector, began to accelerate their capture of revenues generated by farmers. For example, two of Canada's largest pork packers at the time generated record profits from October 1998 to September 1999. Maple Leaf posted a profit of \$72.9 million, while Premium Brands' stood at \$6.3 million.<sup>410</sup> Also, during the hog price rise of 2001 and 2002 – which combined with relatively low feed prices to boost Manitoba's RNFI, as described above – food retailers were able to move pork product prices up to a higher price range. Figure D.1 shows that while the Manitoba hog price rose to just under \$2 per kilogram, food

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<sup>409</sup> Manitoba's RNFI was \$-82,365 in 2000.

<sup>410</sup> Darrin Qualman, "Corporate Hog Farming: The View From the Family Farm," in *Writing Off the Rural West*, ed. Roger Epp and Dave Whitson (Edmonton: University of Alberta Press, 2001), 36.

retailers were able to move the price of pork chops up to the \$10 per kilogram range. While Manitoba hog farmers have not been able to breach the \$2/kg threshold ever since, food retailers have been able to push the pork chop price above \$10 on a number of occasions and may currently be pushing the price up to a new price range.

The most widely cited cause of the dramatic drop in farm incomes in the 1998-02 period, was the decline in grain and oilseed prices in this period,<sup>411</sup> as shown in Figures B.1-B.3 and C.1-C.3. One reason for the price decrease was the drop in demand from the ‘tigers’ of East and Southeast Asia, the newly independent countries of the Soviet Union, and China. The 1997 financial collapse caused “long-term economic hardship and dislocation, reduced per capita incomes and industrial capacity, and fundamentally changed the dynamics of their demand for agri-food imports.”<sup>412</sup> The drop in demand languished on despite an economic recovery, due to a shift in the depreciation of the exchange rates that prevented a return to pre-crisis income levels.<sup>413</sup>

Another cause for the price decrease was US and EU subsidies. Despite the establishment of the WTO in 1995, both regions resumed their practice of providing high levels of subsidies in the late 1990s. US subsidies were driven by transition payments and disaster assistance payments, the former were included in the 1996 Farm Bill (which

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<sup>411</sup> The OECD estimated that the drop in demand could be blamed for roughly 60 percent of the decline in the price of wheat during this period, while US and EU subsidies could be blamed for 20 percent. The other 20 percent of the price decrease was due to supply factors. *OECD Agricultural Outlook, 1999-2004* (Paris: OECD Publications Service, 1999).

<sup>412</sup> *Safety Net Review, Prepared for Federal/Provincial/Territorial Ministers of Agriculture*, 7.

<sup>413</sup> The depreciated exchange rates caused a shift in the rural-urban terms of trade, which made imported foods more expensive and increased the competitive advantage of domestic production. By the time their income levels improve and their exchange rates return to pre-crisis levels, their agricultural capacity will have improved. As a result, their demand for agricultural imports were predicted to improve only in “the very long run.”

was supposed to signal a new era in US agriculture policy) while the latter were added after US also began to suffer from the drop in demand described above.

Another factor was the rapid increase in corporate concentration after the establishment of international trade agreements in the late 1980s-early 1990s. There is no doubting that Canada's agricultural exports increased dramatically after the establishment of the agreements, from \$10 billion in 1990 to \$25 billion in 2003.<sup>414</sup> However, by the end of that period, corporate concentration in Canadian agriculture had become profound. By 2003, US-based TNC Archer Daniels Midland (ADM) owned almost half of Canada's milling capacity.<sup>415</sup> ADM was not even present in the Canadian milling sector in 1985 and had gained control of a 30 percent share by 1995. Likewise, after first entering the Canadian beef packing sector in 1989, Cargill had scooped up 37 percent of the sector's capacity by 2002, while 37 percent of Canada's beef packing sector was controlled by Iowa Beef Packers (IBP).<sup>416</sup> ConAgra had gained control of 51 percent of Canada's malting capacity, a sector that was almost entirely Canadian owned only a decade and a half earlier.<sup>417</sup> Mergers had also taken place in the farm machinery sector. In the early 2000s Case/IH merged with New Holland International to form Case-New Holland (CNH), and soon after bought one of Prairie agriculture's successful local farm machinery manufacturer's, Saskatoon's Flexicoil.<sup>418</sup>

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<sup>414</sup> *An Overview of the Canadian Agriculture and Agri-Food System* (Ottawa: Agriculture and Agri-Food Canada Research and Analysis Directorate, May 2004), 6.

<sup>415</sup> Qualman and Wiebe, *Structural Adjustment of Canadian Agriculture*, 9.

<sup>416</sup> Ibid.

<sup>417</sup> Ibid.

<sup>418</sup> Ibid: 10.

A final factor that contributed to the renewed farm crisis, was the other neoliberal policy reforms carried out in the early 1990s. By 1998 the transition and compensation payments for the termination of the Crow Benefit had come to an end. Also, in the early 1990s, the federal government had deregulated railway transportation, ending previous controls on the abandonment of railway branch lines, the railway rate cap, railway costing reviews, and productivity gain sharing.<sup>419</sup> Thus, the railways began to abandon branch lines and increase freight rates at will, which allowed them to cut costs and raise revenues from captive shippers (such as farmers), to historic levels.<sup>420</sup> In addition, in 1995 the federal government terminated the regulatory responsibility of the Canadian Grain Commission (CGC) over grain companies' elevation and handling charges.<sup>421</sup> This regulation had historically assured farmers of fair and predictable handling charges. Finally, the federal government privatized key crown corporations including CN rail. The deregulation of grain transport had profound impact on the incomes of prairie farmers.

In the 1998-02 period, the difference between total farm income from the markets and total RNFI in Manitoba, Saskatchewan, and Alberta was \$14.9 billion, \$27.4 billion, and \$29.9 billion respectively. Put another way, the other players in the agriculture sector were able to capture over \$72 billion in total market revenue generated by farmers. During this period, farmers took on well over a dollar of new debt (\$1.30 in Manitoba, \$3.64 in Saskatchewan, and \$1.59 in Alberta) for every dollar of total market income that

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<sup>419</sup> The last railway costing review took place in 1992. Qualman and Wiebe, *Structural Adjustment of Canadian Agriculture*, 8.

<sup>420</sup> In 2001 Canadian National recorded a record profit of \$1.04 billion and Canadian Pacific recorded a near record profit of \$410 million. Qualman and Wiebe, *Structural Adjustment of Canadian Agriculture*, 8.

<sup>421</sup> Ibid: 8.

they had generated. As a result, between 1996 and 2001 the number of farms in Canada declined by 11 percent.<sup>422</sup> In the same period farm subsidy payments totaled \$1.2 billion, \$3.5 billion, and \$3 billion to farmers in Manitoba, Saskatchewan, and Alberta respectively. The renewal of pressure on the federal government to boost farm subsidy payments during this period, is discussed below.

### ***5.2.2. Calls for Farm Aid Renewed***

In 1998 and 1999 the federal government faced heavy pressure from a wide range of actors to provide disaster assistance. As prices continued to plummet through the winter of 1998, farmers in BC, Nova Scotia, Manitoba, and Saskatchewan pleaded for aid. Prairie farmers' problems were compounded in the summer when drought engulfed the region. In addition, in the hog sector prices had fallen to their lowest level since 1971, due to overproduction in the United States.<sup>423</sup> If that were not enough, in the early fall the US announced that it would be give \$5 billion in aid to its farmers due to the low commodity prices.<sup>424</sup> (While the WTO placed restrictions on the types of programs that could be employed, it did not impose similar restrictions on expenditure totals from the programs). By the fall, opposition MPs were referring to the situation as a 'farm crisis,'

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<sup>422</sup> Between 1981 and 2001 Canada lost 22 percent of its farmers. *Census of Agriculture*, 2006. "Selected Agricultural Data, Number and Area of Farms, Census Years 1921 to 2006."

<sup>423</sup> But they were very high in 2001-02 verify.

<sup>424</sup> Barry Wilson, "Vanclief Rejects Big Aid Package," *Western Producer*, October 1, 1998, accessed July 17, 2007, <http://www.producer.com>.



and were requesting disaster assistance for farmers as well as an investigation to find solutions.<sup>425</sup>

Pressure for a long-term disaster assistance program mounted in 1999. First, severe flooding caused thousands of acres of farmland to go unseeded in Southern Manitoba and Saskatchewan. Farmers protested at appearances that Vanclief made in Manitoba and Saskatchewan that year, and began referring to the situation as “the worst farm crisis since the 1980s.” They requested \$25 per acre payments, with the support of their provincial agriculture ministers. Second, in July Agriculture and Agri-Food Canada (AAFC) economists published a report, which projected gloomy farm income numbers for the following five years.<sup>426</sup> Not only could the crisis no longer be downplayed, but it was going to last for a while. In response there was a near unanimous call from farm groups, politicians, and agricultural economists, that an improved farm subsidy program package was required.

Throughout the fall, pressure on the federal government to provide disaster assistance intensified. In September the presidents of the Saskatchewan Wheat Pool (SWP), Agricore, Keystone Agricultural Producers (KAP), Wild Rose Agricultural Producers (WRAP) sent a letter to Chretien to request aid for the “worst farm income crisis since the Great Depression.” They pointed to the elimination of the Crow Benefit as a major reason they were unable to weather the storm, and argued that Canada was

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<sup>425</sup> Barry Wilson, “MPs May Investigate Farmer’s Income,” *Western Producer*, October 15, 1998, accessed July 17, 2007, <http://www.producer.com>.

<sup>426</sup> The report projected that Saskatchewan would record an income deficit of \$48 million in 1999 and would never rise about \$75 million from 2001-03. It should be noted that AAFC’s numbers included off-farm income.

Barry Wilson, “Cries For Long-Term Aid Grow With Dark Outlook,” *Western Producer*, July 29, 1999, accessed July 16, 2007, <http://www.producer.com>.

losing the best farm managers in the world.<sup>427</sup> The next month a delegation of farm groups and political leaders, including premiers Roy Romanow and Gary Doer, from Saskatchewan and Manitoba, travelled to Ottawa to request \$1.3 billion in “trade equalization payments.” Throughout the fall opposite MPs kept up the pressure, citing the disparities in farm subsidies between Canada and its competitors<sup>428</sup> and the 1995 cuts that had left farmers unprotected. Back in Manitoba and Saskatchewan, rallies and grain dumps were held to draw attention to the farm crisis and call for increased funding for farm subsidy. The Pro-West Lobby Group, one of a number of new farm protest groups that sprang up at the time,<sup>429</sup> called for \$5 billion in aid; \$3 billion for Saskatchewan alone.

### ***5.2.3. Ad Hoc Disaster Programs Return***

The federal government initially attempted to resist the pressure. One tactic was to argue that the current farm subsidy regime was sufficient to weather the storm. Another was to argue that farmers were actually doing quite well. For instance, federal bureaucrats periodically released reports demonstrating that the agriculture sector including farmers, were in a very healthy state. One report stated that farm net worth had increased by almost 30 percent from 1991 to 1995, to more than \$500,000.<sup>430</sup> However,

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<sup>427</sup> “Ag Groups Lobby Prime Minister,” *Western Producer*, September 9, 1999, accessed July 29, 2007, <http://www.producer.com>.

<sup>428</sup> US farmers received 38 cents per dollar of income, EU farmers received 56 cents/dollar, and Canadian farmers received just 9 cents/dollar.

<sup>429</sup> Other groups included the Sask Rally Group, the South East Concerned Agricultural Producers, the Bengough Rally Group.

<sup>430</sup> AAFC routinely included off-farm income in its calculation of farm revenues.

the federal government's position was difficult to sustain for two reasons. First, Ottawa had always blamed low prices on foreign subsidies, which it had assumed were being curtailed. When the US announced its disaster assistance program as prices were falling, it became very difficult to look the other way. Second, the federal government's fiscal situation had improved very rapidly. In 1998, it had already achieved a \$3.5 billion budget surplus, which was followed by another surplus of \$2.9 billion the next year.<sup>431</sup> In that context it became almost politically impossible for Vanclief to argue that the federal government could not provide aid.

Ottawa gave in to the pressure in December 1998, when it announced a \$900 million aid package to be distributed over two years. Although the federal government had given in to demands for a new spending package, it stuck to its guns on the program's design and funding arrangement. In March 1999, Ottawa announced that the new ad hoc program would be modeled on Alberta's FIDP program. Farmers whose gross margin fell below 70 percent of their three year average, were eligible for payments. The program would be cost shared according to the 60:40 federal-provincial funding formula, which meant that total funding for the program would be \$1.5 billion. The new program would be called the Agricultural Income Disaster Assistance (AIDA) program.

When renewed calls for aid were made in the early summer of 1999, due to flooding in Manitoba and Saskatchewan, the federal government opted to make small changes to its existing programs. First, Ottawa altered the NISA program to make it

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Barry Wilson, "Agriculture Gets Glowing Report," *Western Producer*, January 14, 1999, accessed July 29, 2007, <http://www.producer.com>.

<sup>431</sup> Jean Soucy and Marion G. Wrobel, *Federal Deficit: Changing Trends, Government of Canada*, (Ottawa: Library of Parliament Collections, 88-7E, April 11, 2000), accessed April 1, 2012, <http://publications.gc.ca/Collection-R/LoPBdP/CIR/887-e.htm>.

easier for farmers to make withdrawals. The minimum payment trigger was increased and farmers were permitted to make withdrawals and deposits in the same year.<sup>432</sup> Second, Ottawa allowed farmers to take up to a 60 percent advance payment on their expected AIDA payment for that year, which would make \$117 million to farmers. In addition, Manitoba and Saskatchewan offered per acre payments to their farmers through their crop insurance programs.

During the fall when the provincial Premiers became involved in pressuring for ‘trade equalization payments,’ Vanclief examined ways to improve the AIDA. In November 1999, the federal government announced that it was adding \$170 million to AIDA, making it \$1.07 billion over two years. The new money was intended to cover 70 percent of farmer’s negative margins in 1997 and 1998. Farmers were also granted the ability to choose between the previous three years or the previous five years with the high and the low year not counted. However, Manitoba and Saskatchewan argued that they should not have to pay 40 percent of the AIDA payments, given their conviction that the federal government should be entirely responsible for ‘trade injury’ due to its exclusive jurisdiction over international trade. Also, the farm groups criticized the assistance for being far too low.

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<sup>432</sup> The payment trigger was increased to \$20,000 from \$10,000 for individuals and from \$35,000 to \$20,000 for families.

“Ministers Announce Measures to Aid Farmers In Flooded Regions of Saskatchewan,” *News Release*, Government of Saskatchewan, June 21, 1999, accessed April 1, 2012, <http://www.gov.sk.ca/news?newsId=24347382-9634-430a-b45d-dce36825a348>.

#### **5.2.4. Federal/Provincial Framework Agreement On Agricultural Risk Management, 2000**

The early months of 2000 involved the final negotiations for the new farm subsidy program suite for the next three year period. There were two issues of contention in the negotiations. One issue concerned the conflict between the provinces over the funding distribution formula. A coalition of seven provinces led by Ontario and British Columbia, dubbed the ‘Gang of Seven,’ argued that funding should be distributed according to the relative size of a province’s agriculture sector. They took issue with the fact that most of the farm subsidy money had traditionally gone to Prairie farmers. Saskatchewan and Manitoba opposed this view, arguing that funding should be distributed according to need. They cited the relatively high degree of risk inherent in their export-oriented agriculture sectors, due to dependence on international prices (which were prone to wild fluctuations) and the prevalence of weather calamities. They also pointed to that fact that their agriculture sectors comprised a much larger proportion of their overall economies.

Ultimately the federal government sided with the ‘Gang of Seven.’ The federal money would be distributed as bloc transfers according to the relative size of a province’s agriculture sector. Given that the new formula would mean less money for Saskatchewan, Manitoba, and New Brunswick, a compromise was made whereby no province would receive less than it otherwise would have for the first two years of the agreement.<sup>433</sup> The federal government took immense criticism from both NDP and

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<sup>433</sup> Barry Wilson, “Money Must Come From Somewhere,” *Western Producer*, January 20, 2000, <http://www.producer.com> (accessed July 29, 2007); “Agriculture Gets Glowing Report,” *Western Producer*, January 14, 1999, accessed July 29, 2007, <http://www.producer.com>.

Reform opposition over its siding with the Gang of Seven.<sup>434</sup> They argued that aid money should go to those farmers most in need. The CFA also warned of the potential trade challenge dangers posed by distributing farm subsidy funding as bloc transfers, rather than by demand-trigger.<sup>435</sup>

The funding deal for the new three-year farm subsidy regime was finally reached at the end of March 2000, after Vanclief threatened to act unilaterally if the squabbling continued. In the Federal/Provincial Framework Agreement on Agricultural Risk Management, the federal government and provinces committed to providing \$5.5 billion over three years, which was funded according to the 60:40 federal-provincial funding formula established in 1996.<sup>436</sup> Plus, the federal government committed to kicking in an extra \$40 million per year for Saskatchewan, Manitoba, and New Brunswick, to ensure that they did not receive less than they would have under the previous demand-trigger based allotment. The funding allotment for the new disaster program was \$609 million per year, of which the federal government would commit \$435 million and the provinces would contribute \$290 million. The new disaster program closely resembled the AIDA, and was called the Canadian Farm Income Program (CFIP). Farm subsidy programs were to be called ‘risk management’ programs, rather than farm safety nets.<sup>437</sup> The 2000

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<sup>434</sup> Barry Wilson, “Feds Clued Out, Provinces Greedy: Opposition,” *Western Producer*, January 27, 2000, accessed July 29, 2007, <http://www.producer.com>.

<sup>435</sup> “Aid Deal Reckless,” *Western Producer*, January 27, 2000, accessed July 30, 2007, <http://www.producer.com>.

<sup>436</sup> Skogstad, *Internationalization and Canadian Agriculture*, 91; Barry Wilson, “Safety Net Deal Based On Size, Not Risk Factor,” *Western Producer*, March 30, 2000, accessed July 30, 2007, <http://www.producer.com>.

<sup>437</sup> The term ‘risk management’ was being used by the OECD in its activities related to farm subsidy programs at that time. Canada was attempting remain in-line with the most acceptable practices, as determined by organizations as the OECD and WTO. Skogstad, *Internationalization and Canadian Agriculture*, 91.

agreement marked the first time that an ongoing disaster component was included in a farm subsidy regime.

Saskatchewan and Manitoba agreed to sign the three-year agreement, after they had successfully wrestled an ad hoc program out of the federal government. The stated purpose of the program was to give grain, oilseed, and special crop farmers one last compensation payment for the termination of the Crow Benefit.<sup>438</sup> The federal government's contribution was \$240 million, for a total program budget of \$400 million after the two provinces contributed their share.<sup>439</sup> Saskatchewan farmers received \$300 million, while Manitoba farmers received \$100 million. The program was over and above the three year \$5.5 farm subsidy program expenditure allotment. It was distributed to farmers based on their historic gross receipts.<sup>440</sup>

### ***5.2.5. Calls for Disaster Aid Continue***

Despite negotiations for the new farm subsidy regime having just concluded, farm groups and provinces continued to press for more bailout money in 2000 as the farm crisis deepened. In the summer of 2000, farmers in Ontario and Alberta faced drought conditions. Ontario argued that it had been sympathetic when Prairie farmers needed help, and now it was their turn.<sup>441</sup> Drought-plagued farmers in southern Alberta were told

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<sup>438</sup> Barry Wilson, "Ottawa Comes Through With Aid," *Western Producer*, March 2, 2000, accessed July 30, 2007, <http://www.producer.com>.

<sup>439</sup> Manitoba and Saskatchewan contributed 40 percent of the program's cost (\$160 million).

<sup>440</sup> Payments will be based on a percentage of less than 10 percent of a farmer's Net Income Stabilization Account program net eligible receipts, to a maximum \$125,000 in eligible receipts.

<sup>441</sup> "Farmers Facing Crops Disaster, Want Relief," *New Hamburg Independent*, July 12, 2000, accessed March 14, 2012, <http://search.proquest.com>.

by Vanclief that Ottawa had provided enough, and that they should look to their provincial government for help.<sup>442</sup> Numerous rallies and demonstrations were held to draw attention to the farm crisis. For instance, in November farmers staged a one-kilometer convoy along the TransCanada highway at the Manitoba and Saskatchewan border,<sup>443</sup> a picket was held at a Canadian National crew bunkhouse near Biggar, Saskatchewan, and the Pro-West Rally Group organized rallies at the provincial legislatures.

By early 2001 the Liberal government was facing criticism and pressure from all quarters. First, members of the Liberal caucus were asking the Liberal government for an emergency \$1 billion bailout program.<sup>444</sup> Second, the House of Commons Standing Committee on Agriculture and Agri-Food had tabled three reports on the farm crisis, which criticized the existing farm subsidy programs and argued for more financial aid.<sup>445</sup> Third, the opposition Canadian Alliance had published a report criticizing the Liberal

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<sup>442</sup> “Vanclief Says Alberta, Not Ottawa, Should Help Drought Stricken Farmers,” *Canadian Press*, August 21, 2000, accessed March 14, 2012, <http://search.proquest.com>.

<sup>443</sup> “Farmers Delay Traffic” *North Bay Nugget*, November 23, 2000, accessed March 14, 2012, <http://search.proquest.com>.

<sup>444</sup> Skogstad, *Internationalization and Canadian Agriculture*, 92-93.

<sup>445</sup> *The Farm Income Crisis in Canada*, Report of the Standing Committee on Agriculture and Agri-Food, December 1998, accessed on March 21, 2012, <http://www.parl.gc.ca/HousePublications/Publication.aspx?DocId=1031538&Language=E&Mode=1&Parl=36&Ses=1>; *Repairing the Farm Safety Net To Meet the Crisis: Simple, Successful and Sustainable*, Report of the Standing Senate Committee on Agriculture and Forestry, June 2000, accessed on March 20, 2012, <http://www.parl.gc.ca/Content/SEN/Committee/362/agri/rep/rep04jun00-e.htm>; *Making the Farm Income Safety Net Stronger and More Responsive to Farmers' Needs*, Report of the Standing Committee on Agriculture and Agri-Food, February 2000, accessed March 14, 2012, <http://www.parl.gc.ca/HousePublications/Publication.aspx?DocId=1031667&Language=E&Mode=1&Parl=36&Ses=2>.



government's farm subsidy programs and calling for more aid.<sup>446</sup> Finally, several more farm rallies were held around Ontario, by farmers demanding aid.

Chretien responded by putting his caucus critics to work on a task force to investigate the farm crisis and look for solutions. Vanclief initially tried to resist providing financial assistance, arguing that the federal government had increased program funding every year since 1997. However, that summer drought engulfed the Prairie region once again. Several of Saskatchewan's rural municipalities declared themselves disaster areas, stating that the drought was the worst in 50 years.<sup>447</sup> By late summer, the provinces were once again pressuring Ottawa for drought assistance.<sup>448</sup> Vanclief finally responded by announcing that Ottawa would provide another \$500 million in aid, which would total \$850 million when the provincial share was included. He also committed to conducting a review of existing farm subsidy policy, in order to make improvements for the new farm subsidy regime to be implemented in 2003.<sup>449</sup> Finally, Ottawa pointed to the new round of WTO negotiations that were set to begin in November in Doha, Qatar, as the long-term solution to the farm income crisis.<sup>450</sup>

Despite the federal government's capitulation, it was déjà vu all over again the next year. In May the US implemented its 2002 Farm Bill, which was again loaded with

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<sup>446</sup> "Canadian Alliance Unveils "Agriculture - A Vision for the Future," *News Release*, Garry Breitkreuz M.P., April 20, 2000, accessed on March 14, 2012, <http://www.garrybreitkreuz.com/breitkreuzgpress/Agri48.htm>.

<sup>447</sup> Shannon Bolashchuk, "Drought Situation 'Quite Critical,'" *Regina Leader Post*, July 4 2001, accessed March 14, 2012, <http://search.proquest.com>.

<sup>448</sup> Barry Wilson, "Provinces Vow To Push Ottawa To Provide Drought Assistance," *Western Producer*, August 23, 2001, accessed July 21, 2007, <http://www.producer.com>.

<sup>449</sup> Gina Teel, "Vanclief Promises Review of Agricultural Safety Net," *Ottawa Citizen*, June 20, 2001, accessed March 14, 2012, <http://search.proquest.com>.

<sup>450</sup> Jack Wilkinson, "Changes May Be Near For Agriculture: Meeting Provides New Hope For Farmers," *Lindsay Daily Post*, September 2001, accessed March 14, 2012, <http://search.proquest.com>.

farm subsidies. Prairie farm groups responded by stepping up their demands, requesting \$1.3 in annual payments in order to protect them from the next round of US subsidies. In the fall, the Prairie premiers and their agriculture ministers met with federal cabinet ministers, to express their concern about the new US bill. They repeated the demand of the farm groups for \$1.3 billion in annual trade injury payments, which could be drawn exclusively from the federal government's surplus.<sup>451</sup> The cries for more assistance were met with familiar resistance throughout 2002. Each time Vanclief was met with more pressure for more aid, he retorted that a new plan was in the works.

### ***5.2.6. New Federal/Provincial Farm subsidy Agreement Negotiations***

After three plus years of pouring billions of dollars into the farm economy, the federal government sought a new strategy. In the summer of 2001, the federal and provincial agriculture ministers agreed to undertake a review of farm subsidy policy, in order to develop a national action plan aimed at securing long-term success for Canada's agriculture sector.<sup>452</sup> The review would be conducted over an 18-month period. Vanclief echoed Goodale's statement from nearly a decade earlier: Canadian agriculture policy had to move beyond crisis management. He declared that he had a plan in the works that

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<sup>451</sup> "Prairie Leaders Talk Farm Crisis," *Prince George Citizen*, May 24, 2002, accessed March 14, 2012, <http://search.proquest.com>.

<sup>452</sup> "New Action Plan Framework Signals Positive Change For the Canadian Agriculture Sector," *Agri-vision*, (Ottawa: Agriculture and Agri-Food Canada, September-October 2001), 1, accessed on March 14, 2012, <http://publications.gc.ca/collections/Collection/A27-15-2001-2E.pdf>; Mairi MacLean, "Ministers Commit to Future of Farming: Ministers Agree to Start with Extensive Review," *Edmonton Journal*, June 30, 2001, accessed March 14, 2012, <http://search.proquest.com>.

would serve as an alternative as trying to match US farm subsidies dollar-for-dollar, and would wean Canadian farmers off of ad hoc farm subsidy programs.<sup>453</sup>

In 2002 the federal government announced that it would be implementing a broad national agriculture policy, which aimed to increase the agriculture sector's profitability.<sup>454</sup> The federal government's profitability strategy would be based on the assumption that prices would continue to be low for the long term, and that Canadian farmers would face increased competition from low cost producing countries, such as Brazil.<sup>455</sup> The federal government's strategy was to distinguish Canadian farm products from its competitors. The crux of the policy was a 'Made in Canada' brand for Canada's farm products. The idea was that the 'Made in Canada' brand would tout the superior safety and environmental sustainability of Canada's farm products, in order to earn premiums from increasingly discerning consumers in the global marketplace. It required that Canada fully participate in the certification, traceability, and labeling regimes which were emerging at the time. The policy would consist of five pillars: food safety and quality, science, environmental stewardship, renewal, and risk management. While each pillar represented an important aspect of agriculture policy, all were designed to ultimately distinguish Canadian farm products from the competition.

Farm subsidy would remain a key component of the new national policy, serving as the main tool to be used by farmers to manage the risks that threaten their

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<sup>453</sup> "Beyond Ad Hoc Farm Aid," *Edmonton Journal*, August 25, 2001, accessed March 14, 2012, <http://search.proquest.com>.

<sup>454</sup> *Building A Business Risk Management System for Agriculture in the 21<sup>st</sup> Century*, (Ottawa: Agriculture and Agri-Food Canada), 1, accessed March 14, 2012, [http://www4.agr.gc.ca/resources/prod/doc/cb/apf/pdf/brmgre\\_consult\\_e.pdf](http://www4.agr.gc.ca/resources/prod/doc/cb/apf/pdf/brmgre_consult_e.pdf).

<sup>455</sup> *Agricultural Policy Framework, Federal-Provincial-Territorial Programs*, (Ottawa: Agriculture and Agri-Food Canada, Spring 2005), accessed April 3, 2012, <http://publications.gc.ca/collections/Collection/A34-3-2005E.pdf>.

profitability.<sup>456</sup> The ministers emphasized the importance of farm subsidy programs, stating that farmers would always face income declines due to factors beyond their control. They committed to reviewing farm subsidy programs, with the aim of implementing a long-term program.<sup>457</sup> Moreover, the Prime Minister's Caucus Task Force on Future Opportunities in Farming stated that farm subsidy must remain at their current levels for a period of five years at least, in order to give farmers certainty and effective income protection against events out of their control.<sup>458</sup> The report also called on AAFC to work more closely with the farm community in the design of programs, in order to ensure that they meet the actual needs of farmers. Ottawa's plan was to replace the mish mash of ad hoc and long-term programs, with a single long-term program that addressed both income risk management and disaster relief for all commodities in all regions of the country.<sup>459</sup>

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<sup>456</sup> *Building A Business Risk Management System for Agriculture in the 21<sup>st</sup> Century*, Agriculture and Agri-Food Canada, 1.

<sup>457</sup> "New Action Plan Framework Signals Positive Change For the Canadian Agriculture Sector," *Agrivision*.

<sup>458</sup> *Securing Agriculture's Future: Invest Today, Prosper Tomorrow*, Prime Minister's Caucus Task Force on Future Opportunities in Farming, Final Report, (Ottawa, October 2002), 17; Lori Littleton, "Report On Farming Calls For Keeping Safety Nets," *Expositor*, April 24, 2002, accessed March 14, 2012, <http://search.proquest.com>.

<sup>459</sup> Angela Pacienza, "Ag Ministers Attempting National Policy," *Chatham Daily News*, January 25, 2002, accessed March 14, 2012, <http://search.proquest.com>.

### 5.3. National Policy Framework

#### 5.3.2. *Farm Crisis Intensifies*

The farm crisis reached its depths during the 2003-07 period. In Manitoba RNFI dropped to negative levels once again in 2003, where it remained until 2008. Manitoba's RNFI troughed at \$-599 million in 2006, and totaled \$-1.4 billion from 2003-07. Saskatchewan's RNFI had fallen back to negative levels in 1999, where it remained until 2007. Saskatchewan's RNFI troughed at \$-1.7 billion in 2003, and totaled \$-4.9 billion in the 2003-07 period. Alberta's RNFI returned to negative levels in 1998, and has remained there ever since. Alberta's RNFI fell to its lowest level ever in 2003, when it plummeted to \$-1.7 billion. The province's total RNFI for the period was \$-5.4 billion. These developments are demonstrated in Figures F.1-F.3 and G.1-G.3.

The deepening of the farm crisis was most popularly blamed on the BSE crisis. While the border closure undoubtedly played a role, almost no one considered the roles also played by overdependence on access to the US market, and by the tremendous power attained by the corporations involved in meat processing. The CUSTA had decisively reoriented Canada's cattle sector towards exports and increased production.<sup>460</sup> Between 1990 and 2003 Canadian cattle and beef exports increased five-fold in volume and eight-fold in dollar value. However, as the events of the period demonstrated, access to the US market was not guaranteed. As soon as a single Canadian cow was found to be infected with BSE, the American border swiftly closed.

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<sup>460</sup> *The Farm Crisis and the Cattle Sector: Toward a New Analysis and New Solutions*, (Saskatoon: National Farmers Union, November 19, 2008), 13, accessed on March 15, 2012, <http://www.nfu.ca/sites/www.nfu.ca/files/LivestockEXECSUMFINAL.pdf>.

The other and more significant side of the story, was the takeover of the Canadian cattle processing sector in the wake of the CUSTA coming into effect in 1989. As stated earlier, soon after the CUSTA's establishment Cargill and IBP moved into the Canadian beef-packing sector. Before long, only three giant corporations had gained control of 80 percent of Canada's cattle processing. Interestingly, the adjusted average prices for cattle fell to half of their pre-1989 levels. The downward pressure on farm prices was caused by captive supply. These large TNCs maintained a steady supply of their own cattle in large feedlots, which allowed them to stay out of the cattle buying market for periods of time, thereby enabling them to drive down prices.<sup>461</sup> Overall captive supply levels have been estimated to be as high as 60-70 percent of total slaughter in the 2000s.<sup>462</sup> Thus, the energetic bidding for cattle from farmers that had existed prior to 1989, disappeared. Making matters worse, food retailers used the BSE crisis to raise the price of beef in supermarkets. Figure D.4 reveals a distinct leap in the retail price of ground beef and simultaneous drop in cattle prices in 2003, and years after. The central point is that the brunt of the BSE crisis was borne by farmers, due to their inferior position in the market.

The 2005 Easter report pinned the blame for the crisis directly on corporate concentration and international trade. The report argued that corporations use their market power to reduce farm commodity prices, raise input costs, shut out competitors, and pool patented technologies.<sup>463</sup> With respect to retail prices it reported that between 1981- 2003 the retail price of beef increased by \$5.67, while the farm price for beef increased by just 14 cents. In that same period the price of corn flakes more than doubled

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<sup>461</sup> Ibid., 14-16.

<sup>462</sup> Ibid.

<sup>463</sup> Wayne Easter, *Empowering Canadian Farmers in the Marketplace*, (Ottawa: Agriculture and Agri-Food Canada, July 2005), 12, accessed March 15, 2012, [http://www.agr.gc.ca/cb/min/pdf/rpt0705\\_e.pdf](http://www.agr.gc.ca/cb/min/pdf/rpt0705_e.pdf).

to reach \$1.91, while the price of corn increased by just 3 cents. It reported that the situation was just as profound on the farm input side. For instance, since 1992 fertilizer costs rose by 67 percent, pesticides rose by 60 percent since 1981, and seed costs rose by 50 percent since 1992.<sup>464</sup>

The historic profits generated by the corporations involved in the agriculture sector in 2004, are testament to their massive market power. In 2004 energy giants Imperial Oil, Petro-Canada, and Shell combined to control 75 percent of Canada's refining capacity, and all three recorded record profits that year.<sup>465</sup> Agrium, Saskferco, Canadian Fertilizer Ltd, and J.R. Simplot owned 94 percent of Canada's urea (nitrogen) production capacity, and both Agrium and Saskferco posted record profits in 2004.<sup>466</sup> Record profits were also recorded by farm machinery companies John Deere and CNH; Cargill in the grain handling sector; CN rail in transportation; Tyson and ConAgra in the food processing sector; Cargill, Tyson, and Maple Leaf in the meat packing sectors; ConAgra and Cargill in the malting sector; Bunge and Cargill in the oilseed crushing sector; Kellogg, General Mills Inc. and Pepsico Inc in the breakfast cereal sector; and McDonalds in the restaurant sector.<sup>467</sup> These record profits were achieved, in part, by the capture of a large portion of the value generated by farmers.

The difference between total market income and total RNFI in Manitoba, Saskatchewan, and Alberta was \$18.2 billion, \$30.9 billion, and \$39 billion respectively in the 2003-07 period. Thus, agribusiness corporations captured over \$88 billion in

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<sup>464</sup> Ibid: 9-10.

<sup>465</sup> *The Farm Crisis and Corporate Profits*, (Saskatoon, National Farmers Union, November 30, 2005), 3, accessed March 15, 2012, [http://www.nfu.ca/sites/www.nfu.ca/files/corporate\\_profits.pdf](http://www.nfu.ca/sites/www.nfu.ca/files/corporate_profits.pdf).

<sup>466</sup> Ibid.

<sup>467</sup> Ibid., 2-8.

market income generated by prairie farmers during this period of severe farm crisis. During this time farmers in Manitoba, Saskatchewan, and Alberta took on \$1.90, \$0.28, and \$0.64 of new debt respectively, for every dollar of total market revenue earned. By 2007 total farm debt stood at \$6 billion in Manitoba, \$7.5 billion in Saskatchewan, and \$11.9 billion in Alberta. Moreover, farm subsidy payments totaled \$2.5 billion, \$6.3 billion, and \$5.8 billion in Manitoba, Saskatchewan, and Alberta respectively. The politics and programs concerning these payments are discussed below.

### ***5.3.2. Agricultural Policy Framework, 2003***

The Agricultural Policy Framework (APF) was unveiled in the spring of 2003. It was a five-year, \$9 billion (\$5.5 billion for farm subsidy programs) national policy comprised of five pillars including food safety and food quality, the environment, science and innovation, renewal, and business risk management.<sup>468</sup> It was the first time that an agreement of its duration and scope had ever been reached in agriculture.<sup>469</sup> The Business Risk Management (BRM) portion would be funded in accordance with the traditional 60:40 federal-provincial formula, and would favour provincial equity.<sup>470</sup> The new program, the Canadian Agricultural Insurance and Stabilization (CAIS) program was designed to address both income stabilization and disaster issues. The federal government's review of farm subsidy policy compared the APF programs with the

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<sup>468</sup> Skogstad, *Internationalization and Canadian Agriculture*, 100.

<sup>469</sup> Shared jurisdiction, the regional concentration of commodity production, and the influence of varying weather patterns, in Canada, had meant that Canadian agriculture policy historically been negotiated in piecemeal, and was short term in character.

<sup>470</sup> This was a deliberate attempt to reign in the use of provincial companion programs, which had caused discord among the province due to accusations about the development of farm subsidy disparities between them.



previous programs. The resulting report claimed that the new programs would “require less administration and allow producers to make better long term plans and investment decisions.”<sup>471</sup> While the federal and provincial agriculture ministers signed an agreement in principle in the broad framework of the package outlined above, signing the implementation agreements with each province was a different story.

The APF farm subsidy programs would only become operational once seven provinces with at least half of the eligible net sales in the country (half of the total NISA participants) signed on. Therefore, getting Quebec and Ontario on board was key. A major complicating factor occurred in May, when the BSE crisis broke out. Farm groups and the provinces immediately began calling for disaster assistance. (The BSE crisis is discussed below). Vanclief stated that the disaster assistance portion of the APF regime would only be available for a province’s farmers if it signed an implementation agreement. Alberta was the first prairie province to sign its APF implementation agreement in early June 2003.<sup>472</sup> By the time of the annual agriculture ministers meeting in July, only Alberta, BC, and Newfoundland had signed.<sup>473</sup> Unconvinced that the APF programs would suffice, the CFA wanted the existing programs plus the resurrection of the CFIP to remain in place for another year, as the BSE crisis continued. Ontario wanted the ability to continue its provincial companion programs throughout the duration

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<sup>471</sup> Angela Hall, “Findings In Safety Net Review Disputed,” *Star Phoenix*, April 30, 2003, accessed March 15, 2012, <http://search.proquest.com>.

<sup>472</sup> Mary MacArthur, “Alberta Joins Federal Agriculture Plan,” *Western Producer*, June 12, 2003, accessed July 24, 2007, <http://www.producer.com>; *Canada-Alberta Implementation Agreement Between the Government of Canada and the Government of Alberta*, (Ottawa: Agriculture and Agri-Food Canada, April 1, 2003), accessed April 4, 2012, [http://www4.agr.gc.ca/resources/prod/doc/apf-csa/info/ab\\_01-eng.pdf](http://www4.agr.gc.ca/resources/prod/doc/apf-csa/info/ab_01-eng.pdf).

<sup>473</sup> Barry Wilson, “Ag Ministers Meeting Pivotal For Safety Net Program,” *Western Producer*, July 10, 2003, accessed July 25, 2007, <http://www.producer.com>.

of the agreement. Saskatchewan's delay was the result of its concern about the affordability.

In early fall several provinces were still holding out on signing their APF implementation agreements. The federal government gave in to their demand for an annual review of the APF farm subsidy programs.<sup>474</sup> The provinces were not convinced that the new programs were better than the previous ones, and wanted proof that they were. Saskatchewan wanted the federal government to provide disaster assistance over-and-above the APF programs, in order to ensure that its farmers were protected from trade injury due to ongoing foreign subsidies. Manitoba was concerned about the scope and structure of the program. The two prairie holdouts finally signed their implementation agreements with Ottawa in the fall. Manitoba reluctantly signed on in September, citing the need to have access to the APF's disaster funds for its cattle farmers.<sup>475</sup> Premier Doer claimed that Vanclief had virtually held a gun to his head, because of his insistence that the APF disaster money would not be available until he signed on. Ontario followed finally signed on in December, after it was able to extract some amendments. Ottawa agreed to implement a higher cap on CAIS payments<sup>476</sup>, coverage for up to 60 percent of negative margins, and the ability to implement

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<sup>474</sup> Gina Teel, "Holdouts Stall Farm Policy Overhaul," *Calgary Herald*, September 13, 2003, accessed March 20, 2012, <http://search.proquest.com>.

<sup>475</sup> "Manitoba to Sign On To Agricultural Policy Framework, Freeing Up Aid Cash," *Canadian Press*, September 18, 2003, accessed April 3, 2012, <http://search.proquest.com>; "Manitoba Signs APF Implementation Agreement," *News Release*, (Winnipeg: Government of Manitoba, September 19, 2003) accessed April 3, 2012, <http://www.gov.mb.ca/chc/press/top/2003/09/2003-09-19-01.html>; "Canada-Manitoba Implementation Agreement Between the Government of Canada and the Government of Alberta," (Ottawa: Agriculture and Agri-Food Canada, April 1, 2003), accessed April 4, 2012, [http://www4.agr.gc.ca/resources/prod/doc/apf-csa/info/mb\\_01-eng.pdf](http://www4.agr.gc.ca/resources/prod/doc/apf-csa/info/mb_01-eng.pdf).

<sup>476</sup> The CAIS payment cap was increased to \$3 million from \$975,000.

provincial companion programs.<sup>477</sup> Saskatchewan was the last of the provinces to sign on, when agriculture minister Clay Serby finally put the pen to paper in late December 2003.<sup>478</sup> He indicated that Saskatchewan could hold out no longer, as its farmers needed the APF money, and indicated that the annual review was very important for ensuring that adequate funding was available from year to year. Saskatchewan had been pressing for extra disaster assistance and trade injury coverage. By the end of 2003, it had become clear that not many of the provinces or farm groups were confident that the CAIS program was ‘the program to end all programs.’<sup>479</sup>

The squabbling over the APF between the provinces and the federal government continued throughout 2004 and 2005. Manitoba and Saskatchewan were unrelenting in making their argument that the CAIS program was unaffordable, and that the 60:40 federal-provincial funding formula needed to be changed.<sup>480</sup> They took particular issue with the amendments brought forward by Ontario, which would only make the program even more expensive.<sup>481</sup> Saskatchewan complained that it already had to divert funds from other areas such as long-term rural revitalization programs, just to meet its CAIS

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<sup>477</sup> “Ontario signs the amended APF program” *News Release*, (Guelph: Ontario Federation of Agriculture, December 11, 2003), accessed April 4, 2012, <http://legacy.ofa.on.ca/index.php?p=239&a=579>.

<sup>478</sup> “Saskatchewan Signs APF Implementation Agreement,” *News Release*, Regina: Government of Saskatchewan, December 22, 2003), accessed April 3, 2012, <http://www.gov.sk.ca/news?newsId=b7839393-e2ff-4f66-a84f-03d7864a0eea>; Karen Briere, “Sask. Signs APF to Federal Praise,” *Western Producer*, December 23, 2003, accessed January 8, 2012, <http://www.producer.com>; *Canada-Saskatchewan Implementation Agreement Between the Government of Canada and the Government of Saskatchewan*, (Ottawa: Agriculture and Agri-Food Canada, April 1, 2003), accessed April 4, 2012, [http://www4.agr.gc.ca/resources/prod/doc/apf-csa/info/sk\\_01-eng.pdf](http://www4.agr.gc.ca/resources/prod/doc/apf-csa/info/sk_01-eng.pdf).

<sup>479</sup> “Signed APF leaves Work To Be Done – WP Editorial,” *Western Producer*, January 15, 2004, accessed July 24, 2007, <http://www.producer.com>.

<sup>480</sup> Sean Pratt, “Sask. CAIS Commitment Could Break the Bank,” *Western Producer*, September 2, 2004, accessed July 26, 2007, <http://www.producer.com>; Sean Pratt, “Sask. Farmers Want CAIS Money Now,” *Western Producer*, March 17, 2005, accessed July 25, 2007 <http://www.producer.com>.

<sup>481</sup> Barry Wilson, “Minister Urges Sask., Manitoba To Get With The Program,” *Western Producer*, June 3, 2004, accessed July 25, 2007, <http://www.producer.com>.

funding requirements.<sup>482</sup> In 2004-05 the CAIS program alone consumed 54 percent of Saskatchewan's entire budget for agriculture.<sup>483</sup> Therefore, Saskatchewan argued that provincial spending on CAIS should be capped and proposed a Canadian Agricultural Equity Program (CAEP), which would cap any province's farm subsidy expenditures at three times the provincial average per capita.<sup>484</sup> Finally, at the end of April 2005, the federal government struck a national committee to review the APF safety net regime. The APF review committee was comprised of 22 industry representatives and 15 federal and provincial representatives, and was chaired by Ed Tychniewicz.<sup>485</sup>

### ***5.3.3. Farm Group and Provincial Views Toward New Programs***

In early 2003 farm groups were worried about the federal government's determination to implement the APF farm subsidy programs before they could be tested. They were not convinced that the new programs would be better than the existing programs.<sup>486</sup> The NISA had been a popular program among farmers.<sup>487</sup> They argued that it would be very difficult to make a one size fits all program address the needs of such a

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<sup>482</sup> Angela Hall, "Safety Nets Use Up Funds," *Star Phoenix*, April 2, 2004, accessed March 15, 2012, <http://search.proquest.com>.

<sup>483</sup> *Annual Report 2004-2005*, Saskatchewan Agriculture, Food and Rural Revitalization, Government of Saskatchewan, 46, accessed July 25, 2007, <http://www.agriculture.gov.sk.ca/Default.aspx?DN=b95d55f0-3f44-458f-ae2-39cb5346aad2>.

<sup>484</sup> Karen Briere, "Sask. Can't Meet APF Obligations," *Western Producer*, May 27, 2004, accessed July 25, 2007, <http://www.producer.com>.

<sup>485</sup> "CAIS Review in Works," *Star Phoenix*, April 27, 2005, accessed March 15, 2012, <http://search.proquest.com>.

<sup>486</sup> Barry Wilson, "Farmers Resist Ottawa's New Ag Plan," *Western Producer*, February 13, 2003, accessed July 25, 2007, <http://www.producer.com>.

<sup>487</sup> Kevin Hursh, "New Farm Safety Net Won't Be Popular," *Star Phoenix*, March 12, 2003, accessed March 15, 2012, <http://search.proquest.com>.

diverse farm sector. They also argued that CAIS would not be capable of covering several consecutive low-income years, because such a circumstance would make a farmer's program reference margins so low that only an extreme loss would trigger a payment.<sup>488</sup> Through the winter they remained vehemently opposed to the April 1 launch date. When each provincial agriculture minister signed the implementation agreement, the farm groups were critical of them for not listening to farmers and wanting to rush to implement the APF programs.

By 2005 the provinces and farm groups were fed up with the CAIS program. At the federal-provincial agriculture minister's meeting in July, Saskatchewan persisted in making its case for changing the 60:40 funding formula.<sup>489</sup> The next month the CFA argued that the CAIS should be replaced. They argued that CAIS was unresponsive, unpredictable, and 'unbankable,' due to issues with the reference margins, and calculations on inventory and farm restructuring.<sup>490</sup> In effect, the CAIS program 'crystalized' the income differences that existed at the time the program was implemented. Indeed, CAIS was never supposed to correct declining incomes; it was designed to smooth out fluctuations in income levels.<sup>491</sup> The federal government would soon find out that farmers would not even have incomes for programs to stabilize.

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<sup>488</sup> Barry Wilson, "CAIS Program Inadequate?," *Western Producer*, April 29, 2004, accessed July 25, 2007, <http://www.producer.com>.

<sup>489</sup> Barry Wilson, "Provinces Question Program's Affordability," *Western Producer*, July 7, 2005, accessed July 25, 2007, <http://www.producer.com>.

<sup>490</sup> Ian Bell, "Farm Leaders Criticize CAIS, Suggest Review Or New Plan," *Western Producer*, August 11, 2005, accessed July 25, 2007, <http://www.producer.com>.

<sup>491</sup> *Agriculture and Agri-Food Policy In Canada: Putting Farmers First!*, Interim Report of the Standing Committee on Agriculture and Forestry, 39<sup>th</sup> Parl., 1<sup>st</sup> sess., June 2006, accessed March 15, 2012, <http://www.parl.gc.ca/Content/SEN/Committee/391/agri/rep/repintjun06-e.htm>.

#### 5.3.4. BSE Crisis

Before the APF agreement could even be concluded with all of the provinces, the BSE crisis broke out. In late May 2003 a cow from an Alberta farm infected with bovine spongiform encephalopathy (BSE), was discovered. The worst fears of the Canadian cattle sector were realized when the US promptly closed the border to all imports of Canadian beef. The Canadian cattle sector was immediately thrown into a severe crisis.

The federal government once again came under immediate and intense pressure to offer assistance to cattle farmers. In March it responded by implementing an interest-free loan program totaling up to \$10 million, for businesses suffering losses due to BSE. However, Ottawa stated that it would only provide the loans to farmers whose province had already signed into the APF. Ottawa immediately came under fire from both cattle farmers and the provinces, which argued that the program was entirely inappropriate for the crisis at hand and that it was using the cattle farmers as pawns in the APF negotiations.<sup>492</sup> In retort Ottawa insisted that the APF program regime would be able to handle the mad cow crisis.<sup>493</sup> The cattle groups did not believe the CAIS could address both stabilization and disaster issues, and argued a separate disaster program would be necessary.<sup>494</sup>

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<sup>492</sup> “Beef Producers Unimpressed With Reported Aid Package,” *Peace River Daily News*, June 13, 2003, accessed March 15, 2012, <http://search.proquest.com>; Terry Hildebrandt, “A Recipe For A Worsened Farm Crisis,” *Leader Post*, June 20, 2003, accessed March 15, 2012, <http://search.proquest.com>; Sharon Hill, “Ag Boss Rejects Offer,” *The Windsor Star*, August 14, 2003, accessed March 15, 2012, <http://search.proquest.com>.

<sup>493</sup> Barry Wilson, “One Cow Will Challenge Federal Safety Net Plans – Opinion,” *Western Producer*, June 12, 2003, accessed July 20, 2007, <http://www.producer.com>.

<sup>494</sup> Angela Hall, “Farm Lobby Blasts Safety Net Plan,” *Star Phoenix*, July 15, 2003, accessed March 15, 2012, <http://search.proquest.com>.

In June, Alberta Premier Ralph Klein spearheaded a large contingent of farm groups and provincial governments in a lobby effort, to pressure the federal government for \$400 million in disaster aid. They argued that the cattle sector suffered millions of dollars in losses.<sup>495</sup> The effort proved fruitful, as the federal government announced a \$460 million aid package for the beef sector later that month. However, Ottawa was soon in trouble again over issues related to the program's funding arrangement. Ottawa wanted the provincial governments to contribute their 40 percent share of the program. The provinces argued that the federal government should provide 90 percent of the funding for disaster aid. There was also dispute over the program's payment formula. Program payments were to be triggered when cattle prices fell, but on a declining percentage as prices fell further.<sup>496</sup> Cattle groups argued that they would receive less support in a circumstance when they would need it most. In August the federal government provided a \$36 million top up to the program, but announced that it would be ending the program at the end of the month.<sup>497</sup>

When cattle farmers made another request for \$200 million in aid in September, the provincial and federal governments rejected them. Vanclief cited potential trade challenges if too much support was directed toward a single farm sector, and he used the opportunity to once again promote the APF.<sup>498</sup> The provincial agriculture ministers agreed that a long-term solution was required.

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<sup>495</sup> Colleen Silverton, "Premiers Seeking Aid," *Leader Post*, June 10, 2003, accessed March 15, 2012, <http://search.proquest.com>.

<sup>496</sup> Bruce Johnstone, "Mad Cow Plan Has Some Wrinkles," *Leader Post*, June 21, 2003, accessed March 15, 2012, <http://search.proquest.com>

<sup>497</sup> Angella Hall, "More Money For Ranchers," *Leader Post*, August 13, 2003, accessed March 15, 2012, <http://search.proquest.com>.

<sup>498</sup> Joe Paraskevas, "Agriculture Ministers Reject More Aid For Farmers." *Ottawa Citizen*, September 23, 2003, accessed March 15, 2012, <http://search.proquest.com>.

Despite the rejection of more aid earlier in the fall, Ottawa was faced with the reality that there was now an oversupply of cattle on Canadian farms and that farmers could not afford to feed them all. Therefore, in November, Ottawa announced a mad cow cull program totaling \$120 million, in the hope that the provinces would add another \$80 million. The new cull program was designed to give up to \$320 per cow or bull once it was slaughtered.<sup>499</sup> Farm groups and analysts immediately raised concerns about the program's design, including fears that program would sink cattle prices further due to a sudden oversupply of beef, that the money would ultimately just go to the large meat packers given the absence of restrictions in that regard, and that the program did not address the problem of older cows.

Throughout 2003 several provinces had also introduced BSE aid programs of their own. Alberta was the first to address the issue itself when it introduced a \$65 million aid program to boost livestock prices.<sup>500</sup> In the fall, Ontario, Manitoba, and Saskatchewan followed suit with BSE programs of their own. Saskatchewan's programs included a \$20 million compensation program, which topped up prices on cattle sold for slaughter, up to \$250 per head.<sup>501</sup> It also introduced a cash advance program, up to \$140 million.

In 2004 Ottawa was faced with the reality that the BSE crisis was in fact not coming to a close. In late December 2003, a second BSE infected cow was discovered in Washington State, which was discovered to have been imported from Canada. Therefore,

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<sup>499</sup> Dawn Walton, "BSE Aid Package Flawed," *Globe and Mail*, November 22, 2003, accessed March 15, 2012, <http://search.proquest.com>.

<sup>500</sup> Michelle Lang, "New Aid Program Lifts Cattle Prices." *Calgary Herald*, July 29, 2003, accessed March 15, 2012, <http://search.proquest.com>.

<sup>501</sup> Angela Hall, "Province Unveils \$20M BSE Aid Program," *Leader Post*, September 13, 2003, accessed March 14, 2012, <http://search.proquest.com>.



in April the federal government announced a \$995 million farm aid package to be paid out under the Transition Industry Support Program.<sup>502</sup> Critics again warned that a good chunk of the money could go to packing plants, given that the program was meant to assist the industry rather than just farmers. As the BSE crisis carried on into the fall, the CCA requested \$300 per cow for up to 10 percent of a farmer's herd; a program that would cost roughly \$200 million.<sup>503</sup> However, the federal government insisted that no more money would be available outside of that budgeted for the APF, and it restated its intention to move away from ad hoc crisis management.

In the fall of 2004 the federal government met with the provinces and the beef industry in order to develop an aid package that would compensate farmers for lost income, and help to cover the costs of keeping some animals off the market to avoid glut and still lower prices. The premiers opposed Ottawa's plan to cost-share the program according to the 60:40 formula.<sup>504</sup> They wanted it cost shared 90:10.

### ***5.3.5. Farm Crisis Deepens Further***

By the fall of 2004, the crises affecting Canadian agriculture were compounding. As the BSE crisis wore on, prairie crop farmers were hit with a severe frost that caused significant crop damage, the US stopped Canadian hog shipments citing unfair subsidies,

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<sup>502</sup> Barry Wilson, "Aid Payments May Reduce CAIS Claims By \$275 Million," *Western Producer*, April 1, 2004, accessed July 24, 2007, <http://www.producer.com>.

<sup>503</sup> Angela Hall, "Ranchers Don't Get Help," *Leader Post*, September 23, 2003, accessed March 15, 2012, <http://search.proquest.com>.

<sup>504</sup> Barry Wilson, "Premiers Hound Feds For BSE Cash," *Western Producer*, September 9, 2004, accessed July 24, 2007, <http://www.producer.com>.

and prices remained at all-time lows.<sup>505</sup> Opposition leader Stephen Harper referred to the trade and income problems of farmers as ‘a national emergency.’<sup>506</sup>

Under the weight of the deepening crisis and the heavy criticism it faced, Ottawa attempted to find solutions. First, in July it signed into the WTO Framework Agreement. It continued to hold out hope that it could get the EU and US to curb their farm subsidy war through stiffer trade rules on farm subsidies. Second, it summoned a large contingent of bureaucrats and industry representatives to conduct the APF review. The review was tasked with investigating the effectiveness of the APF farm subsidy programs and the other four APF pillars, and would report the following summer.<sup>507</sup> Thirdly, Liberal MP Wayne Easter was tasked with leading an investigation into the causes of the 30 year trend of declining farm income, and making policy recommendations.<sup>508</sup> Finally, at a symposium on the farm income crisis in November, Agriculture Minister Andy Mitchell promised to work on solutions that involved government, the provinces, farmers and society at large.<sup>509</sup>

Throughout the winter of 2005 calls for aid became relentless, ultimately forcing the government to provide another aid program. In January Conservative opposition leader Harper pressured the federal government to provide farm subsidy for trade injury

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<sup>505</sup> Angela Hall, “NDP Warned of ‘Rural Storm,’” *Leader Post*, December 3, 2004, accessed March 15, 2012, <http://search.proquest.com>.

<sup>506</sup> “New Gov’t Session Has Hopeful Signs,” *Western Producer*, October 14, 2004, accessed July 24, 2007, <http://www.producer.com>.

<sup>507</sup> Barry Wilson, “Safety Nets To Be Resewn Next Year,” *Western Producer*, October 7, 2004, accessed July 24, 2007, <http://www.producer.com>.

<sup>508</sup> Barry Wilson, “Liberal MP To Examine Declining Farm Incomes,” *Western Producer*, September 30, 2004, accessed July 24, 2007, <http://www.producer.com>.

<sup>509</sup> Barry Wilson, “Profits Must Be Improved,” *Western Producer*, November 18, 2004, accessed July 26, 2007, <http://www.producer.com>.

and disasters.<sup>510</sup> Major demonstrations were held throughout Ontario that winter, including one with tractors and grain trucks in front of Queen's Park in March.<sup>511</sup> Also, in March, several farm groups met with Finance Minister Goodale, in order to request \$2.3 billion in disaster aid. They argued that three years of drought, frost, and BSE had cost farmers \$5.7 billion.

In April Mitchell announced that the federal government would provide a \$1 billion aid program, in response to the request made by the farm groups.<sup>512</sup> The program would provide \$480 million for grains and oilseed farmers, \$300 million for cattle farmers, and \$700 million of the \$1 billion program funding total would be provided to western farmers. Once again the federal government insisted that the provinces come forward with their 40 percent share. Program payouts were based on historic eligible net sales. It was yet another admission that the APF programs could not handle disaster situations. Analysts pointed out that the federal government's quick response was likely due to the fact that farm groups pressured government with a united voice.

In July 2005 Finance Minister Ralph Goodale invited a delegation from Saskatchewan, representing the grains and oilseeds sector to speak to senior bureaucrats.<sup>513</sup> The farm delegation told the bureaucrats that the prairie grain industry in its current state was not sustainable, and that there had been a long term trend of farmers

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<sup>510</sup> Barry Wilson, "Farmers Deserve More Support: Harper," *Western Producer*, January 6, 2005, accessed March 15, 2012, <http://www.producer.com>.

<sup>511</sup> Lisa Garce Marr, "Seeds of Anger; Farmers Plan Queen's Park Rally To Demand Help With Global Price Glut," *Hamilton Spectator*, February 8, 2005, accessed March 14, 2012, <http://search.proquest.com>.

<sup>512</sup> Barry Wilson, "Hasty Farm Aid Announcement Complicates Things," *Western Producer*, April 7, 2005, accessed July 26, 2007, <http://www.producer.com>; "United Farm Voice Gets Funding Results," *Western Producer*, April 7, 2005, accessed July 26, 2007, <http://www.producer.com>.

<sup>513</sup> Barry Wilson, "Ag Voice Raised In Ottawa," *Western Producer*, October 6, 2005, accessed July 26, 2007, <http://www.producer.com>.

not being able to cover their costs. They argued that the APF needed to be replaced with a Canadian farm bill, which implied that Canada should match the level of subsidies being provided to US farmers through their farm bill. Also, in October the House of Commons Finance Committee heard a presentation from CWB directors regarding the farm crisis.

A potential turning point came when Wayne Easter tabled his report entitled *Empowering Canadian Farmers in the Marketplace* in July 2005. In the report, Easter argued “the crisis is more deeply rooted than a frost, a drought, the limitation of certain government programs, or even global subsidy wars or the discovery of BSE.”<sup>514</sup> The report pointed to the fact that the federal government had pursued a free trade agenda that had focused on increasing exports and winning markets, but had resulted in declining real net farm incomes even as gross farm incomes had risen. Farmers had not been able to recover their costs from the market. The report argued the lack of market power as the fundamental cause for the farm crisis. Its key recommendation was “that all governments place a priority on measures that will enhance farmer’s economic return from the marketplace.”<sup>515</sup> It recommended such actions as restructuring the Competition Bureau, increasing the strength of the Competition Act, and increasing transparency in pricing policies throughout the food chain. Unfortunately, none of these recommendations were pursued.

### ***5.3.6. Doha Round Negotiations Fail***

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<sup>514</sup> Easter, *Empowering Canadian Farmers In the Marketplace*, 7.

<sup>515</sup> *Ibid.*, 31.

The Doha Development Round of WTO negotiations began in November 2001 in Doha, Qatar. It was the successor to the Uruguay Round (1986-93) of GATT negotiations, which established the WTO in 1995. The original successor was known as the Millennium Round and began in Seattle in November 1999. However, it was abandoned after deep disagreement between developing countries and the EU and US prevented agreement on a negotiation agenda, and large street protests disrupted the meetings. Agriculture was a key item on the agenda of the Doha Round negotiations, because it was perceived as being the most protected sector after the Uruguay Round largely failed to rein in subsidies.<sup>516</sup> Other items up for negotiation were trade in manufacturing and services, and expanded intellectual property negotiation. The stated purpose of the Doha Round was to make trade more fair for developing countries, but it was the developing countries that ultimately balked at the positions insisted upon by the developed nations of the global 'North'.

Canada was among the countries that had been especially hopeful for the successful conclusion of a new deal on agriculture in the Doha Round. As discussed, high US and EU subsidies had been blamed for causing tremendous hardship among Canadian farmers, and for scuttling Canada's own farm subsidy reform efforts. Canada had also clearly committed itself to a path of attempting to capture foreign agricultural markets and increase its global market share. Some 80 percent of Canada's agricultural production was being exported abroad. Even though the dangers of becoming too dependent on trade were exposed with the BSE crisis, Canada hoped that the WTO would ultimately provide a mechanism that would not only keep borders open, but provide an effective avenue to settle disputes when borders were closed. The central contradiction in

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<sup>516</sup> Elliot, *Delivering On Doha: Farm Trade and the Poor*, Center for Global Development, ix, 1, 4.

this approach, however, never registered. Neoliberal reforms were perpetuating the farm crisis, yet the answer was to pursue further neoliberal reforms.

The Doha Round struggled from the start as developing countries were frustrated by the refusal of the US and EU to reduce agriculture subsidies, particularly export subsidies. Despite agreeing to undertake such reforms when Doha was launched, both the US and EU were ultimately unwilling to make the reforms.<sup>517</sup> Negotiations continued through ministerial meetings at Cancun in 2003, Geneva in 2004, and Paris and Hong Kong in 2005. While Canada sided with developing countries on the need for subsidy reductions, it was in fact part of the problem. Canada had led the way in reforming farm subsidy programs and export subsidies (Crow Benefit), but it was unwilling to give up supply management for the dairy and poultry sectors, even as it attempted to argue for reduced trade barriers for its export commodities such as beef, hogs, various crops.<sup>518</sup> Ultimately the participating countries could not reach a final agreement by the original 2005 deadline, and a new deadline was set for the end of 2006.

#### **5.4. Conservative Government Farm Subsidy Policy**

##### ***5.4.1. Farm Crisis Gives Way To Food Crisis***

A Conservative government came to power in Ottawa in the final two years of the renewed farm crisis. As stated earlier, Manitoba's RNFI reached its lowest level ever in

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<sup>517</sup> Ibid., 60-61.

<sup>518</sup> William Watson, "The High Price of Having Cake and Eating It Too," *Ottawa Citizen*, July 27, 2004, accessed April 13, 2012, <http://search.proquest.com>; Peter Morton, "Canada's Stance at Trade Talks 'Untenable,'" *National Post*, December 15, 2005, accessed April 13, 2012, <http://search.proquest.com>.

2006, but recovered in the next few years before dropping again. In 2008 Manitoba's RNFI had returned to positive levels at \$25 million, and by 2010 it had reached \$282 million. As discussed, Saskatchewan's RNFI had returned to positive levels in 2007. In 2009 it reached its highest level since 1975, when it hit \$1.1 billion.

The late 2000s saw a dramatic increase in crop prices, as illustrated in Figures B.1-B.3 and C.1-C.3. Analysts attributed the price increases to the growing demand from the rapidly growing biofuel sector, growing demand in developing countries, and decreased production in some of the major exporting countries in 2006-07.<sup>519</sup> These price increases were heralded for bringing a new era of prosperity to prairie agriculture. Headlines read 'Agriculture Now A Hot Sector,' 'Farm Commodities Shine,' 'Farm Incomes Rise Sharply,' 'Farm Cash Receipts Rise To Record,' and 'Farmers Have Grounds For Cheer.' During this time stories about the 'farm crisis' had all but disappeared across the country,<sup>520</sup> but – significantly, they were replaced by stories about a growing 'food crisis.' Canadian consumers were being hit hard, as shown in Figures D.1-D.4. Also, food riots were unfolding in developing countries and food shortages were experienced at Canadian food banks. As discussed above, RNFI did improve in Manitoba and Saskatchewan, when prices outpaced costs in the grains, oilseeds, and pulse sectors. Thus, for a time, farm commodity prices outpaced farm input price increases.

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<sup>519</sup> *Rising Food Prices: Causes and Consequences*, (Paris: Organization for Economic Cooperation and Development, 2008), 4, accessed April 15, 2012, <http://www.oecd.org/dataoecd/54/42/40847088.pdf> ; Global aggregate stocks-to-use ratios for grains and oilseeds dropped to less than 15 percent, which was the lowest level since 1970. Also, by 2007-08 ethanol production accounted for 23 percent of total corn use. May Peters, Suchada Langley, and Paul Wescott, "Agricultural Commodity Price Spikes in the 1970s and 1990s: Valuable Lessons For Today," *Amber Waves*, (Washington: Economic Research Division, United States Department of Agriculture, March 2009), 21-22, accessed March 17, 2012, <http://www.ers.usda.gov/AmberWaves/March09/Features/AgCommodityPrices.htm>.

<sup>520</sup> The term 'farm crisis' was commonplace in news stories about the agriculture sector in the late 1980s and early 1990s, and late 1990s until the late 2000s.

It was not long, however, before a different type of headline began to appear in Canadian newspapers regarding prairie farmers. The headlines pointed to the other side of the farm income equation: ‘Farmers Cautious As Costs Rise,’ ‘Farmers Slide Back As They Move Ahead,’ ‘Canadian Farm Income May Slide From Record As Expenses Rise,’ and ‘Rising Costs Bury Growers.’ These headlines reveal the true nature of the farm economy: the cost price-squeeze. Thus, it is not prices that dictate real farm income, but the margins between revenues and expenses. As has always been the case, periods of positive real farm income have been fleeting at best. Figures F.1 and F.2 reveal that farm incomes nosedived again in 2011 in Manitoba and Saskatchewan. Manitoba’s RNFI returned to negative levels and wiped out all of the gains made since 2008, when it plummeted by over 160 percent to \$-509 million. Manitoba’s total RNFI for 2008-11 was \$-76 million. In 2011, Saskatchewan’s RNFI fell by over 200 percent to \$-1.2 billion.

Interestingly, as the new decade began and crop prices descended from their 2008 levels, they were still relatively high. Moreover, livestock prices were improving. These developments are revealed in Figures B.1-B.3 and C.1-C.3. The reason for the drop in real farm incomes was because farm input prices had risen substantially and were tracking farm commodity prices. Figures E.1 and E.3 illustrate how fertilizer costs had risen dramatically at the end of the 2000s, how they were outpacing crop prices, and tracking crop price fluctuations. Farm input oligopolies have been able to track, and even outpace, farm commodity prices and thus capture farm revenue increases.<sup>521</sup> Figure E.2 illustrates the example of US Nitrogen prices tracking US Corn prices from 1981-2001.

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<sup>521</sup> *The Farm Crisis: Its Causes and Solutions, Submission to the Ministers of Agriculture Meeting, Kaninaskis, Alberta*, (Saskatoon: National Farmers Union, July 5, 2005), 10, accessed March 17, 2012, [http://www.nfu.ca/sites/www.nfu.ca/files/Ministers\\_of\\_Ag\\_brief\\_FOUR.pdf](http://www.nfu.ca/sites/www.nfu.ca/files/Ministers_of_Ag_brief_FOUR.pdf).



Prairie farmers' inferior market power is also demonstrated in the way that other players in the agri-food sector were able to take a widely disproportionate share of all revenues generated when farm commodity prices rose and real farm incomes improved. Figures D.1-D.4 reveal the gap increase between farm commodity prices and retail food prices in the late 2000s. The rise in food retail prices was much more dramatic than the farm commodity price rise.

The crop price increases also caused hardship for prairie livestock farmers. Figures C.1-C.3 illustrate the simultaneous rise in feed price with the drop in cattle and hog prices in this period. Analysts blamed the crisis in the livestock sector on 'the perfect storm' of factors that converged to cause a serious farm crisis.<sup>522</sup> These factors were decreasing prices, increasing input costs, a strengthened Canadian dollar, and regulatory compliance costs. The high Canadian dollar (which had risen to parity and above parity levels in late 2007-08) was seen to exacerbate an already difficult situation that involved high feed prices and low cattle and hog prices. The high Canadian dollar made for increased competition from US meat processors in the American market, and Canadian exports more expensive for other foreign buyers (e.g. in Asia). However, few pointed to the ongoing problem of corporate concentration in both the beef-packing and hog sectors, as discussed above. The problem of corporate concentration was raised by some Parliamentarians in the summer of 2007, when the House of Commons Agriculture

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<sup>522</sup> *Report on the Beef and Pork Sector Income Crisis*, Report of the Standing Committee on Agriculture and Agri-Food, December 2007, accessed April 3, 2012, <http://www.parl.gc.ca/HousePublications/Publication.aspx?Language=E&Mode=1&Parl=39&Ses=2&DocId=3194677&File=0>; *Cow-Calf sector in Crisis*, (Regina: Rocky Lake Management, May 2008), accessed March 15, 2012, <http://apas.ca/dbdocs//49b9439b5b253.pdf>.

Committee called for stronger rules against anti-competitive behavior.<sup>523</sup> However, as has always been the case, the federal government did not seek to address this issue.

In the 2008-11 period, agribusiness corporations once again captured the vast majority of the market income generated by prairie farmers. In that four-year period, the difference between total market income and total RNFI Manitoba, Saskatchewan, and Alberta was \$17.9 billion, \$33.5 billion, and \$34.2 billion respectively. The livestock sector crisis meant that Alberta's farm sector did not experience the period of improved real farm incomes that occurred in Manitoba and Saskatchewan from 2008-10. Although Alberta's RNFI has improved since the depths reached in the 2003-06 period, it has nonetheless remained negative since 1997. In the 2007-10 period, Alberta's lowest RNFI was recorded in 2010 when it dipped to \$-994.8 million, and its total RNFI was \$-2.7 billion. Therefore, agribusiness corporations captured some \$85.6 billion of all revenue generated by prairie farmers. During this period, farmers in Manitoba, Saskatchewan, and Alberta took on \$9.01, \$1.75, and \$3.76 of new debt respectively, for every dollar of total market income they generated. By 2011 farm debt stood at \$7.4 billion, \$9.7 billion, and \$15.7 billion in Manitoba, Saskatchewan, and Alberta respectively. The story of how farm subsidy policy evolved in this period is discussed below.

#### ***5.4.2. Agricultural Policy Framework Reform***

Upon taking power in January 2006, the new Conservative government sought to be more responsive to farmers' needs than the previous Liberal regime. For instance,

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<sup>523</sup> *Report on the Fact-Finding Mission on Canada's New Agriculture and Agri-Food Policy*, Standing Committee on Agriculture and Agri-Food, 1<sup>st</sup> sess., 39<sup>th</sup> Parl., June 2007, accessed April 4, 2012, <http://www.parl.gc.ca/HousePublications/Publication.aspx?Language=E&Mode=1&Parl=39&Ses=1&DocId=3066010&File=0>; Barry Wilson, "Committee Urges Farm Sector Changes," *Western Producer*, June 17, 2007, accessed March 16, 2012, <http://www.producer.com>.

newly minted Agriculture Minister Chuck Strahl pledged to fulfill the Conservative's election promise of replacing the much-maligned CAIS program. The Conservatives had also promised to pump \$500 million annually into farm subsidy programs.<sup>524</sup> On Strahl's first day, he announced that the Conservative government would fast track the \$755 million in emergency aid that the Liberal had promised the previous year for grain and oilseeds farmers. In the first Conservative budget, another \$1.5 billion was pledged to go to farmers across the country, and another \$500 million annually thereafter.<sup>525</sup> From the \$1.5 billion, \$950 million would be devoted to a CAIS inventory adjustment payment to be delivered in the fall. The new government also consolidated the fall and spring advance payment program in order to double the maximum interest free spring loan to \$100,000, and the repayment period was extended to September 2007. Finally, amendments were made to the Agricultural Marketing Programs Act in order to improve cash advance programs and expand coverage to include livestock and more crops.

During the summer of 2006, the APF review committee tabled its report. The report indicated that the APF was flawed from the beginning, because it attempted to accomplish two incompatible goals.<sup>526</sup> It attempted to be a long-term strategy, while simultaneously solving short-term crises. As a result, it achieved neither. Key recommendations were that agriculture is deserving of support by governments and society; 'one size fits all' farm subsidy programming does not work; disaster program

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<sup>524</sup> "Stahl Surprise Ag Minister," *Star Phoenix*, February 7, 2006, accessed March 15, 2012, [http://www.canada.com/story\\_print.html?id=cdc4bce0-a287-47b9-8d4a-88aff1fb37ef&sponsor](http://www.canada.com/story_print.html?id=cdc4bce0-a287-47b9-8d4a-88aff1fb37ef&sponsor).

<sup>525</sup> Kevin Hursh, "Safety Nets Don't Offer Miracles," *Star Phoenix*, May 10, 2006, accessed March 15, 2012, <http://search.proquest.com>.

<sup>526</sup> "Assessing Progress: APF Review Panel Policy Report, APF Review Overview and Conclusions and Recommendations, May 31, 2006, 6-14, accessed March 15, 2012, <http://www.gnb.ca/0180/apf-csa/ReviewPanelReview.pdf>; Barry Wilson, "Ag Policy Framework Fundamentally Flawed: Report," *Western Producer*, March 30, 2006, accessed July 26, 2007, <http://www.producer.com>.

assistance should be separated from the normal stabilization programming. The report effectively made the point that the APF, and in particular its CAIS program, were hardly the panacea that Ottawa had touted them to be only a few years earlier.

Some change was made to the APF farm subsidy regime at the federal-provincial agriculture minister's meetings that summer and fall. Strahl flatly rejected proposals for acreage payments and cost of production coverage, which had been favoured by many farm groups. He declared that any new program would have to be affordable, trade neutral, and non-market distorting. Eventually the provinces got their wish to have a long-term disaster assistance program implemented.<sup>527</sup> Also, the CFA was pleased that the federal government appeared to be warming up to its idea of introducing a new NISA-like program.<sup>528</sup> However, there was widespread disappointment among the provinces and farm groups that the CAIS replacement program would really just be little more than the same program with a new name.<sup>529</sup> Finally, Saskatchewan continued its tradition of protesting the 60:40 funding formula, and argued that the disaster program should be funded 90 percent by the federal government.<sup>530</sup> Saskatchewan argued that it was already paying five times the provincial per capita average for farm subsidy

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<sup>527</sup> Angela Hall, "New Relief Framework Agreed Upon," *Leader Post*, November 16, 2006, accessed March 15, 2012, <http://search.proquest.com>.

<sup>528</sup> Barry Wilson, "NISA the Sequel?," *Western Producer*, December 7, 2006, accessed July 26, 2007, <http://www.producer.com>.

<sup>529</sup> Kevin Hursh, "Big Change in Farm Policies Unlikely," *Star Phoenix*, June 28, 2006, accessed March 15, 2012, <http://search.proquest.com>; Barry Wilson, "Farm Groups Not Impressed By Proposed CAIS Changes," *Western Producer*, November 23, 2006, accessed July 26, 2007 <http://www.producer.com>.

<sup>530</sup> Barry Wilson, "Sask. Stands Alone On Affordability," *Western Producer*, March 30, 2006, accessed July 25, 2007, <http://www.producer.com>.

programs due to the province's relatively large land base<sup>531</sup> and relatively small population.<sup>532</sup>

Throughout the winter of 2007 the federal government conducted consultations on the next agriculture policy framework, which was scheduled for implementation in 2008. In late June 2007 the federal, provincial, and territorial agriculture minister' signed the agreement in principle for the APF's replacement, Growing Forward.<sup>533</sup> Over the following year, federal, provincial, and territorial officials finalized the details for the framework agreement to be signed in the summer of 2008.

#### **5.4.3. Growing Forward Framework Agreement, 2008**

The Growing Forward framework agreement was signed by the federal, provincial, and territorial agriculture ministers on July 11, 2008 in Quebec City. The agreement expressed a vision for "a profitable and innovative agriculture, agri-food and agri-based products industry that seizes opportunities in responding to market demands and contributes to the health and well-being of Canadians."<sup>534</sup> It was clear from these words that the federal government's focus was on the industry as a whole, rather than the

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<sup>531</sup> Saskatchewan possesses 42 percent of Canada's arable farmland.

<sup>532</sup> Angela Hall, "Wartman Says Progress Made," *Leader Post*, June 30, 2007, accessed April 6, 2012, <http://search.proquest.com>.

<sup>533</sup> "Ministers Announce New Vision For Canada's Ag Sector," *News Release*, (Ottawa: Agriculture and Agri-Food Canada, June 29, 2007), accessed April 3, 2012, [http://www.agr.gc.ca/cb/index\\_e.php?page=n70629&s1=n&s2=2007](http://www.agr.gc.ca/cb/index_e.php?page=n70629&s1=n&s2=2007); Bruce Johnstone, "Safety Net Programs Have Farm Groups Split," *Star Phoenix*, July 5, 2007, accessed March 15, 2012, <http://search.proquest.com>; "Growing Forward – The New federal Plan For Agriculture," *Chilliwack Press*, July 8, 2007, accessed March 15, 2012, <http://search.proquest.com>.

<sup>534</sup> Ibid.

farm sector specifically. This is undoubtedly why there was no effort to address the problem of anti-competitive behavior by agribusiness corporations.

Strahl championed the Growing Forward regime for being more simple, predictable, and responsive than previous regimes.<sup>535</sup> Growing Forward marked a distinct expansion of farm subsidy programming, after a long period of deliberate attempts to slim it down. The Growing Forward framework clearly revolved around the Business Risk Management (BRM) segment, which was to be accompanied by a Non-BRM segment<sup>536</sup> “intended to complement national ‘demand-driven’ BRM programs. The demand-driven orientation of the BRM programs marked a distinct departure from the long-running attempt to control BRM expenditures, which had been formally initiated with the establishment of the ‘Safety Nets Funding Envelope’ in 1996. Growing Forward definitely left the door open for significant expenditure increases should the farm crisis return. The BRM segment consisted of four programs, which doubled the number of long-term programs included in the APF.

AgriStability was the long-promised replacement for the CAIS program, but was in reality just CAIS with a different name. AgriStability was a margin-based income stabilization program designed to cover margin declines of greater than 15 percent of a

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<sup>535</sup> Angela Hall, “Ag Ministers Sign Off On New Framework,” *Star Phoenix*, July 12, 2008, accessed March 16, 2012, <http://search.proquest.com>.

<sup>536</sup> The Non-BRM segment included four program pillars: Food Safety and Quality, Environment, Science and Innovation, and Renewal.

<sup>536</sup> Even though the Non-BRM segment was designed to complement the BRM segment, it was nonetheless provided a funding envelope for the first time, in order to ensure that funds would not end up being consumed by farm subsidy programs as had historically been the case. Total Funding for the Non-BRM segment would be \$1.3 billion over the five-year life of the agreement, and would be divided according to the 60:40 federal-provincial funding formula. *Growing Forward: A Federal-Provincial-Territorial Framework Agreement On Agriculture, Agri-Food and Agri-Based Products Policy*, (Ottawa: Agriculture and Agri-Food Canada, 2008), 25-36, accessed April 7, 2012, [http://publications.gc.ca/collections/collection\\_2010/agr/A34-10-3-2008-eng.pdf](http://publications.gc.ca/collections/collection_2010/agr/A34-10-3-2008-eng.pdf); Kevin Hursh, “Money Available To Help Farmers Help Themselves,” *Star Phoenix*, April 8, 2009, accessed April 7, 2012, <http://search.proquest.com>.

farmer's previous five-year average, due to low prices, production losses, or rising input costs.<sup>537</sup> AgriInsurance was the new name given to the former Production Insurance program, and provided protection against production losses for a predetermined list of natural perils. The commodities covered vary by province or territory, and the federal government contributed to the contracts between province or territory and farmer.

Growing Forward also included the two most popular programs from recent years. AgriInvest was a reincarnation of the popular NISA program. In good years farmers could contribute money that was matched by governments, up to a limit based on allowable net sales. Farmers could make withdrawals from their accounts in bad years, to cover margin declines of 15 percent or less. AgriRecovery was a formalized process and funding pool designed to enable governments to provide disaster assistance or fill a gap in existing programming in a timely manner. The inclusion of AgriInvest and AgriRecovery amounted to a major victory for farm groups, as their most sought-after program objectives were included as long-term components of the Growing Forward farm subsidy regime.

The BRM programs were designed to meet the following principles agreed to by the ministers, which reflected WTO rules and concerns related to federalism. First, the programs must adhere to international trade rules, notably rules prohibiting subsidies that would give 'national' producers some competitive advantage.<sup>538</sup> Second, the programs should have no influence over a farmer's production or marketing decisions, and should minimize moral hazard. Third, the programs were designed in conjunction with the broad spectrum of stakeholders associated with the agriculture sector. Fourth, the

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<sup>537</sup> *Growing Forward: A Federal-Provincial-Territorial Framework Agreement On Agriculture, Agri-Food and Agri-Based Products*, 37.

<sup>538</sup> *Ibid.*, 30-38.

programs were to be comprehensive, comprehensible, predictable, simple to administer, and have a clear purpose. Fifth, the programs should not discourage farmers from using risk management tools provided by the private sector. Sixth, the programs should contribute to market-oriented adjustments and adoption of technological innovations. Seventh, the program should help to stabilize the entire farm operation. Eighth, payments should not be capitalized into assets. Ninth, there should be limits on the levels of assistance available to farmers. Tenth, programs should address a broad range of risks by allowing for enhanced environmental stewardship and improved food safety and quality. Eleventh, the same level of protection should be provided to farmers in similar circumstances at different times. Twelfth, program funding should not distort regional comparative advantages.

Growing Forward also marked a return to considerable provincial flexibility. The provinces were permitted to use their federal portion of the funding for the Non-BRM segment in any way that they chose. For instance, the provinces were free to choose how to distribute the federal money across both the four Non-BRM pillars, and the five year time span of the agreement.

With the framework agreement signed, the federal government had to sign a bilateral agreement with each province in order to put all programs into effect. The bilateral process was viewed as meeting the demand for flexibility, in order to meet local needs. In contrast to the previous APF bilateral agreements, the Growing Forward bilateral agreements were concluded relatively quickly. Manitoba was the first of the prairie provinces to sign its bilateral agreement with the federal government, on April 2,



2009.<sup>539</sup> The Manitoba agreement committed \$117.5 million in non-BRM program funding for the province's farmers. The new Saskatchewan Party government was eager to seek a more cooperative relationship with the federal government. Whereas the NDP government had been the last to sign its APF bilateral agreement, the Saskatchewan Party government was among the first to sign its bilateral agreement. The Saskatchewan-Ottawa agreement was signed on April 6<sup>th</sup>, 2009, and committed \$216 million in funding for non-BRM programs.<sup>540</sup> The federal and Alberta governments signed their bilateral agreement on April 28, 2009.<sup>541</sup> The agreement included commitments of \$273 million for non-BRM programs. More than 20 non-BRM programs were established in areas covering business competitiveness, enhanced environment, enhanced food safety, and business management.<sup>542</sup> All three agreements heralded the flexibility that had been achieved, through the introduction of relatively unique non-BRM programs in each province, in order to meet the particular needs of their agriculture sectors.

The Growing Forward program suite was quite remarkable in the sense that it amounted to a significant expansion from its predecessors. Not only were the number of long term programs increased, but the federal government explicitly committed to

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<sup>539</sup> "Government of Canada and Manitoba Launch Flexible and Innovative Growing Forward Programs for Producers, *News Release*, Government of Manitoba, April 2, 2009, accessed on April 7, 2012, <http://news.gov.mb.ca/news/index.html?item=5613>.

<sup>540</sup> "Governments of Canada and Saskatchewan Launch Growing Forward Programs for Producers," *News Release*, Government of Saskatchewan, April 6, 2009, accessed April 8, 2012, <http://www.gov.sk.ca/news?newsId=1fc74b39-f0f8-4b67-9ec2-490f6f080943>.

<sup>541</sup> "Canada-Alberta Coordinate Farm Programing," News Release, Government of Alberta, April 28, 2009, accessed April 7, 2012, [http://www1.agric.gov.ab.ca/\\$department/deptdocs.nsf/all/com12640/\\$file/24-April-2009\\_Alberta\\_GF\\_Launch-FINAL\\_NR-English.pdf?OpenElement](http://www1.agric.gov.ab.ca/$department/deptdocs.nsf/all/com12640/$file/24-April-2009_Alberta_GF_Launch-FINAL_NR-English.pdf?OpenElement); *Growing Forward*, Agriculture and Rural Development. <http://www.growingforward.alberta.ca/>.

<sup>542</sup> *Growing Forward, Alberta's Mid-Point Progress Report 2009-2011*, Agriculture and Rural Development, accessed April 7, 2012, [http://www.growingforward.alberta.ca/cs/groups/growing\\_forward/@gf\\_gen\\_doc/documents/gf\\_doc/mdaw/mda1/~edisp/agucmint-005804.pdf](http://www.growingforward.alberta.ca/cs/groups/growing_forward/@gf_gen_doc/documents/gf_doc/mdaw/mda1/~edisp/agucmint-005804.pdf).

providing disaster assistance when needed, and deliberately did away with the funding envelope (funding cap) for the entire program package. There is no question that the Harper Conservative government had set itself up for a potentially massive increase in expenditures on farm subsidies, if the farm crisis had continued at the levels of severity seen in recent years.

#### ***5.4.4. Farm Group and Provincial Views Toward New Programs***

Growing Forward thus represented a major victory for farm groups. The new regime guaranteed that farmers would have access to four different long-term programs. It also included the long sought long-term disaster program, and a reincarnation of the popular NISA program. In addition, all four programs were demand-trigger in design; no funding envelope had been established for the Growing Forward programs.

While the provinces were pleased that their farm groups were happy, there was also more harmony among the provinces. The coming to power of the Saskatchewan Party in Saskatchewan ended the perpetual discord between that province and the federal government over program funding. The new government was determined to establish a more cooperative relationship with the federal government (particularly since it was also a center-right government) and to fully fund farm subsidy programs. The Wall government's December 10<sup>th</sup> 2007 Speech from the Throne stated that it was "committed to *fully funding the province's share of the Canadian Agriculture Income Stabilization*

*Program* (CAIS) and is determined to work with the federal government on creating new programs” (emphasis included).<sup>543</sup>

However, it is worth pointing out that in 2007, Saskatchewan’s finances began to improve dramatically as commodity prices rose in its potash, oil, and agriculture sectors. Whereas Saskatchewan was in a fiscal deficit in 2004, by 2008 and 2009 it had churned out fiscal surpluses of \$1.4 and 2.6 billion respectively. These developments are illustrated in Figure K.1. As a result, Saskatchewan made the shift from a ‘have not’ to a ‘have’ province, and program affordability was no longer the issue it had once been. Moreover, improved farm incomes meant that the demand for farm subsidy payments has been relatively low.<sup>544</sup> It should be noted that the 2007 Speech From the Throne also stated “There is a need for the federal government to increase its share of funding for income stabilization and disaster relief programs.”<sup>545</sup> This statement fits with the traditional NDP position with regard to program affordability and the federal government’s role in program funding. It is likely that the Saskatchewan Party would argue against the 60:40 funding formula in the context of a renewed farm crisis, just as the NDP had done.

Regarding the programs themselves, one outstanding issue was the operation of the disaster program.<sup>546</sup> It was not clear how a ‘disaster’ would be determined, or what the program trigger would be when it was decided that a certain problem situation (whether a natural calamity, or market failure) merited AgriRecovery payments. This

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<sup>543</sup> *Speech From the Throne 2007*, 1<sup>st</sup> sess., 26<sup>th</sup> Leg., (Regina, Saskatchewan Legislature, Monday December 10, 2007), 6, accessed April 10, 2012, <http://www.gov.sk.ca/adx/asp/adxGetMedia.aspx?DocID=1619,617,534,206,Docume>.

<sup>545</sup> Ibid: 6.

issue was never brought to resolution, and has been worked out on an ad hoc basis. In other words, AgriRecovery had elements of both ad hoc and long-term type programs.

#### **5.4.5. Calls For Disaster Aid Resume**

Nonetheless, calls for farm aid would continue after the Harper Conservatives took power in 2006. During the winter of that year, the new government initially rejected new calls for farm aid. Strahl argued that the new government was already fast tracking assistance monies promised by the previous government (see APF Reform section above). However, as in the past, the calls persisted. Saskatchewan's general farm group, APAS, made calls for aid in March.<sup>547</sup> The group argued that they did not have the funds for spring seeding. Saskatchewan's governing NDP and opposition Saskatchewan Party backed up the calls for assistance.<sup>548</sup> Saskatchewan argued that the aid should come exclusively from federal coffers, since the 60:40 formula for CAIS had put undue pressure on its tax payers.<sup>549</sup> The next month, Wartman went to Ottawa to meet with Strahl and opposition MPs to request \$575 million to help farmers with spring seeding.

On April 5<sup>th</sup> the CFA assembled some 10,000 farmers from across Canada on Parliament Hill for a demonstration. Convoys of tractors and other farm machinery had made their way from various Ontario locations, such as London.<sup>550</sup> It was the culmination

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<sup>547</sup> Angela Hall, "No New Farm Aid," *Leader Post*, March 21, 2006, accessed March 15, 2012, <http://search.proquest.com>.

<sup>548</sup> Murray Mandryk, "NDP, Sask. Party Agree On Need For Farm-Aid Package," *Leader-Post*, March 23, 2006, accessed March 28, 2012, <http://search.proquest.com>.

<sup>549</sup> Saskatchewan agriculture minister Mark Wartman, pointed to Saskatchewan's relatively large expanse of agricultural land and relatively small population.

<sup>550</sup> "Farm Tractors and Trucks Snake Through London," *Chatham Daily News*, April 4, 2006, accessed March 28, 2012, <http://search.proquest.com>.

of several rallies that had been held around Ontario earlier that winter. Rallies were also simultaneously held in other locations across Canada. In front of the legislature in Regina, farmers sold loaves of bread for 6 cents in an attempt to draw attention to the small share of the total cost of bread that actually goes to farmers. In Ottawa, the CFA demanded \$6.1 billion in immediate aid for Canadian farmers, and a commitment to find long-term solutions to the ongoing farm crisis.<sup>551</sup> Once again, the farm groups blamed US and EU subsidies as the cause for their perils.

After meeting with the farmer leaders, Prime Minister Harper stated that the Liberals had “promised to do a great number of things but this government intends to deliver the goods and we will deliver the money.”<sup>552</sup> Strahl promised to ask cabinet for \$2.5 billion over the next five years. However, when details of the promised assistance was not immediately forthcoming, Ontario farmers threatened to hold a blockade of delivery trucks at food retail distribution outlets in Ottawa, in order to reduce the amount of food on store shelves.<sup>553</sup> In May, Strahl finally responded by announcing that no emergency payments would be made through a new ad hoc program, but that \$1.5 billion worth of alterations would be made to existing programs in order to increase farm cash flows. Changes to existing programs included a retroactive adjustment to how inventory was calculated for the CAIS program, while the maximum for interest-free spring loans

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<sup>551</sup> “PM Promises More Money To Aid Farmers,” *Daily Press*, April 6, 2006, accessed March 28, 2012, <http://search.proquest.com>; Ron Bonnett, “Getting the Farmers’ Message To Ottawa,” *Pembroke Observer*, April 11, 2006, accessed March 28, 2012, <http://search.proquest.com>.

<sup>552</sup> “Harper Mum On Aid To Farmers: PM Blames Financial Crisis on Liberals,” *Standard*, April 6, 2006, accessed March 29, 2012, <http://search.proquest.com>.

<sup>553</sup> Ted Pedwell, “Angry Farmers Vow More Blockades,” *Pembroke Observer*, April 20, 2006, accessed March 29, 2012, <http://search.proquest.com>.

was increased to \$100,000 from \$50,000.<sup>554</sup> Farm groups argued that the funds would be inadequate and argued that an ad hoc program that delivered immediate assistance was what was needed.

That was not forthcoming, however, and the next spring calls for aid were renewed. In April the Liberal opposition called for another \$1 billion in farm aid.<sup>555</sup> Several farm rallies were held throughout Ontario the winter and spring of 2007, while Saskatchewan continued to argue that it was shouldering an unfair amount of the farm bill. On March 10, 2007, Harper announced \$1 billion in new aid for Canadian farmers; \$400m was to be for rising input costs, and \$600m was for a new government-producer savings account.<sup>556</sup> However, he slyly noted that the money was contingent on whether the Conservative budget was passed in the minority Parliament. After the budget passed, the funding was officially announced at the agriculture ministers' meeting in July.<sup>557</sup> Finally, in December 2007, Agriculture Minister Gerry Ritz announced an extra \$1 billion in loans for struggling livestock farmers.<sup>558</sup> The money was made available through changes to the advanced payments program.

The summer of 2007 had also involved renewed discussions about how to handle disaster assistance in the future. The House of Commons Agriculture Committee called

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<sup>554</sup> Angela Hall, "Three-Point Plan Retools Farm Aid," *Star Phoenix*, May 19, 2006, accessed March 29, 2012, <http://search.proquest.com>.

<sup>555</sup> Barry Wilson, "Farm Aid Needs More Cash," *Western Producer*, April 6, 2007, accessed July 27, 2007, <http://search.proquest.com>.

<sup>556</sup> Bruce Johnstone, "Smoke and Mirrors or Agriculture Policy," *Leader Post*, March 10, 2007, accessed March 15, 2012, <http://search.proquest.com>; "Farmers Get \$1 Billion Aid Boost," *Times Colonist*, March 10, 2007, accessed March 10, 2012, <http://search.proquest.com>.

<sup>557</sup> Tamara Gignac, "Ottawa Confirms Farm Aid," *Calgary Herald*, July 13, 2007, accessed March 12, 2012, <http://search.proquest.com>.

<sup>558</sup> "Federal Government Announces More Aid For Livestock Industry," *Canadian Press*, December 14, 2007, accessed March 12, 2012, <http://search.proquest.com>.

on the federal government to set aside \$1 billion for unforeseen disasters.<sup>559</sup> The debate at the summer agriculture ministers meeting was the funding formula and process for future disaster assistance. Saskatchewan and Manitoba argued that a 90:10 federal-provincial formula should be used, while Strahl maintained the previous government's insistence that the 60:40 formula be applied across the board.<sup>560</sup> Strahl also pushed for a formalized process for addressing future disasters. As discussed above, a formalized process called AgriRecovery was included in the Growing Forward farm subsidy regime in 2008. AgriRecovery was used to address income crises in the prairie livestock and crop sectors from 2009 onwards.

However, just as hog prices began to improve, an H1N1 (Swine Flu) outbreak occurred at an Alberta hog farm in May 2009. China immediately blocked all hog imports from the province.<sup>561</sup> By mid-summer it had become clear to analysts that the Canadian hog sector was in the midst of collapse.<sup>562</sup> Losses amounting to between \$20-\$40 per hog were reported. The hog sector requested \$800 million per year for five years to help it survive the low prices.<sup>563</sup> In August, Ritz announced \$92 million to help hog farmers either restructure or exit the industry, of which \$75 million was to be used to help

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<sup>559</sup> *Report on the Fact-Finding Mission on Canada's New Agriculture and Agri-Food Policy*, Report of the Standing Committee on Agriculture and Agri-Food; Barry Wilson, "Committee Urges Farm Sector Changes," *Western Producer*, June 17, 2007, accessed March 16, 2012, <http://www.producer.com>.

<sup>560</sup> Paul Samyn, "Ag Ministers To Discuss Farm Aid Funding Split," *Star Phoenix*, June 25, 2007, accessed March 27, 2012, <http://search.proquest.com>.

<sup>561</sup> Annie McLeod, "Pork Producers Take A Hit," *Leader Post*, May 5, 2009, accessed March 27, 2012, <http://search.proquest.com>.

<sup>562</sup> By 2009 Canada's hog farms were mostly stand-alone entities based on mass production through the use of hog barns. They were dependent on external sources for feed. By comparison, the cattle sector was more resilient because most cattle farmers ran mixed operations and thus provided much of their own feed. Kevin Hursh, "Hog Sector's Collapse Imminent," *Star Phoenix*, July 15, 2009, accessed March 27, 2012, <http://search.proquest.com>.

<sup>563</sup> "Finally Some Aid For Pork Producers," *Taber Times*, August 19, 2009, accessed March 27, 2012, <http://search.proquest.com>.

hog farmers decrease or cease production in order to reduce hog numbers.<sup>564</sup> The remainder of the funds would be used for market research and promotion of hog products. In November, the Alberta Beef Producers (ABP) made a formal call to Ritz for AgriRecovery funds, on the basis that farmers in other sectors and regions had received payments.<sup>565</sup> In the summer of 2010, cattle farmers in Central and Northern Alberta and Saskatchewan were granted \$114 million in AgriRecovery payments. The payments were to help them recover from drought conditions suffered the two previous years.<sup>566</sup> The drought affected pastureland and feed crops in the region.

New calls for disaster assistance came during the Spring of 2010, when the prairie region suffered severe flooding. Flooding affected some 12 million acres (1/5 of Canada's farmland) of prairie farmland that either was flooded out or went unseeded due to excess moisture during the Spring.<sup>567</sup> Farm groups had been making calls for per acre payments that ranged between \$50-\$100 per acre. Ottawa announced that it would provide \$450 million in aid from AgriRecovery, to drought-affected farmers (\$360 to Saskatchewan farmers, \$60 million for Manitoba, and \$30 million for Alberta), which amounted to roughly \$30 per acre.<sup>568</sup> The payments were cost-shared according to the 60:40 formula. Most farm groups expressed gratitude for the plan, while the opposition

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<sup>564</sup> "Ottawa Offers Pork Industry \$92 million In Aid," *Times Colonist*, August 16, 2009, accessed March 27, 2012, <http://search.proquest.com>.

<sup>565</sup> Allendria Brunjes, "ABP Say They Need Help," *Westlock News*, November 2, 2009, accessed April 5, 2012, <http://search.proquest.com>.

<sup>566</sup> Cassandra Kyle, "Drought Spurs Call For Help," *Star Phoenix*, July 7, 2009, accessed April 5, 2012, <http://search.proquest.com>; "AgriRecovery Aids Livestock Producers Facing Drought," *Smokey River Express*, June 9, 2010, accessed April 15, 2012, <http://search.proquest.com>.

<sup>567</sup> "Rain-Battered Prairie Farmers To Get \$30 Per Acre," *Grainews*, July 8, 2010, accessed April 5, 2012, <http://www.grainews.ca/news/rain-battered-prairie-farmers-to-get-30-per-acre/1000377943/>.

<sup>568</sup> "\$450 million In Flood Aid Slated For Prairie Farmers," *Times-Colonist*, July 9, 2010, accessed March 29, 2012, <http://search.proquest.com>.



NDP called for an additional \$100 per acre.<sup>569</sup> However, all parties admitted that it would not cover costs, as most crops cost \$100 per acre, and chemical costs to fend off weeds would amount to \$10 per acre.<sup>570</sup> Pressure for more AgriRecovery payments were renewed in 2011, due to continued excess moisture conditions.<sup>571</sup> In mid-August, Ritz announced another round of AgriRecovery payments totaling \$448 million to help prairie farmers cope with excess moisture conditions.<sup>572</sup>

Despite improved overall real farm incomes in Manitoba and Saskatchewan, substantial farm subsidy payments were made to prairie farmers in the 2007-11 period. Farm subsidy payments totaled \$1.6 billion, \$3.2 billion, and \$3.5 billion in Manitoba, Saskatchewan, and Alberta respectively. Figures G.1-G.3 and H1-H.3 illustrate this development. Most payments were made from the Production Insurance program, followed by AgriStability, AgriInvest and AgriRecovery (included in the ‘Other’ category) programs. These payments were made to livestock farmers who suffered low prices, and to crop farmers who suffered flooding, drought, and high input costs.

It is important to note here, that although farm subsidy payments increased under the Conservative government, a greater proportion of these payments flowed to larger farm operations. This development is illustrated in Figures I.1-I.3. Whereas farms with total revenues over \$250,000 were receiving between 45 and 65 percent of all farm subsidy payments prior to 2006, they received 80 percent in Manitoba and Alberta 2008

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<sup>569</sup> Bruce Johnstone, “Harper Visit Distracts,” *Leader Post*, July 10, 2010, accessed March 29, 2012, <http://search.proquest.com>; Bruce Johnstone, “Farm Groups Welcome Aid,” *Leader Post*, July 13, 2010, accessed March 29, 2012, <http://search.proquest.com>.

<sup>570</sup> Murray Mandryk, “Farm Bailout Underwhelming, But Comparable To Past Aid,” *Leader Post*, July 9, 2010, accessed March 29, 2012, <http://search.proquest.com>.

<sup>571</sup> Bruce Johnstone, “Farm Groups Want Action On Flooding,” *Leader Post*, July 8, 2011, accessed April 5, 2012, <http://search.proquest.com>.

<sup>572</sup> Diana McQueen, “AgriRecovery Program To Assist Producers Impacted By Excess Moisture,” *Pipestone Flyer*, August 11, 2011, accessed April 5, 2012, <http://search.proquest.com>.

and over 65 percent in Saskatchewan in 2008 and 2009. The main factor contributing to this was the payments made to large livestock operations through the permanent and disaster farm subsidy programs.

#### ***5.4.6. Doha Round Failure and Bilateral Trade Agreements***

Meanwhile, the Doha Round of trade negotiations had crawled forward, amid growing pessimism. Ministerial meetings were held at Geneva in 2006 and Potsdam in 2007, until the negotiations broke down completely at the meetings in Geneva in July 2008. A deal in 2008 had been deemed crucial to ending the food crisis that had broken out at the time,<sup>573</sup> But no agreement could be reached. Organizations such as the Canadian Agri-Food Trade Alliance claimed that the Doha's failure would cost Canada's farmers \$10 million per day (\$3.65 billion per year) in lost sales.<sup>574</sup> Since then there have been calls for the negotiations to resume at various meetings around the world such as the G20 meetings in 2009 and the World Economic Forum in 2011. At the time of this writing, however, the Doha Round remains at a standstill. While many hoped that the Doha Round would provide the magic bullet for Canada's historic farm income problems, this failure did get the Harper government out of having to make tough

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<sup>573</sup> Corn subsidies for ethanol production were blamed for driving up corn prices. A WTO deal would make such subsidies illegal. Ian Irvine, "Protectionism Is To Blame For The Food Crisis," *National Post*, May 27, 2008, accessed April 15, 2012, <http://search.proquest.com>.

<sup>574</sup> Paul Vieira, "Doha Collapse To Cost Farmers \$10 M Daily," *National Post*, July 31, 2008, accessed April 15, 2012, <http://search.proquest.com>.

In 2009 Canada's agriculture and agri-food exports totaled \$34.2 billion, making Canada the fourth largest exporter behind the US, EU and Brazil. Half of Canada's agriculture and agri-food exports went to the US. *Overview of the Canadian Agriculture and Agri-Food System 2011*, (Ottawa: Agriculture and Agri-Food Canada, February 2011), 27-28

decisions on supply management.<sup>575</sup> To recall, the Doha Round pitted the developed (namely the US and EU) against the developing countries over farm subsidies. Predictably, the US and EU refuse to give them up, thereby perpetuating their ‘comparative advantage’ built into the WTO.

Nonetheless, in the absence of a WTO agreement, the Harper government quickly moved to make inroads on the trade front through a series of bilateral deals.<sup>576</sup> The shift involved a move away from the ‘one-big-deal’ approach to a piecemeal approach on trade. Bilateral deals offered the Canadian government the convenience of being able to continue its focus on liberalized trade, better prospects for actually successfully completing deals, and not having to confront the supply management issue. Ritz’s tenure as agriculture minister has involved a substantial amount of globetrotting, as the federal government has signed one trade agreement after another. Soon after Doha’s collapse, Canada began serious negotiations with the European Union for a trade agreement.<sup>577</sup> As the Canada-EU negotiations have continued on, Canada concluded trade agreements with Jordan and Peru in 2009, Panama in 2010, and Columbia and Honduras in 2011.<sup>578</sup> These agreements involved commodities that Canada already subject to liberalized trade, such

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<sup>575</sup> Some analysts lamented that Canada’s stance on supply management had seen it move from being a central player in international trade talks (one of the WTO’s ‘Quad’ along with the US, EU, and Japan) to a very peripheral player. “Selfish Stance At WTO Talks Hurts Canada,” *Star Phoenix*, August 1, 2001, accessed April 15, 2012, <http://search.proquest.com>; “Canada Has ‘Serious Concerns’ Over WTO Proposal On Farm Supply Management,” *Canadian Press*, May 20, 2008, accessed April 15, 2012, <http://search.proquest.com>.

<sup>576</sup> Paul Vieira, “Canada To Pursue Bilateral Deals; Geneva Global Trade Talks Fail,” *National Post*, July 30, 2008, accessed April 15, 2012, <http://search.proquest.com>.

<sup>577</sup> The proposed Canada-EU agreement is considered to be the most far-reaching agreement Canada has ever negotiated. Supply management is rumoured to be under threat and local government procurement rules have many Canadian municipalities asking for exemptions. Groups opposed to the agreement include the Council of Canadians and the National Farmers Union.

<sup>578</sup> Free Trade Agreements, Negotiations and Agreements, Foreign Affairs and Trade and Development Canada, accessed April 15, 2012, <http://www.international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/index.aspx?view=d>.

as potato, pork, soybean, pulse, wheat and lentils products.<sup>579</sup> Canada is currently in other bilateral trade negotiations with the Dominican Republic, India, Japan, Morocco, Singapore, and Ukraine. Canada has also pursued agreements with regional trade blocs. Canada signed a trade agreement with the European Trade Association (Iceland, Liechtenstein, Norway, and Switzerland) in 2009, and is in negotiations with the Andean Communities (Bolivia, Ecuador, Columbia, and Peru), the Caribbean Community (CARICOM),<sup>580</sup> and the Trans-Pacific Partnership Trade Group (Australia, Brunei Darussalam, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam).<sup>581</sup> Canada's prior exclusion from the TPP was due to its steadfast position on supply management.<sup>582</sup>

#### **5.4.7. Growing Forward II Framework Agreement 2012**

In September 2012, the federal Conservative government and the provinces finalized the five year Growing Forward II (GF2) agreement, which includes farm

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<sup>579</sup> *Canada-Honduras Free Trade Agreement*, (Ottawa: Agri-Food Trade Policy, Agriculture and Agri-Food Canada, August 12, 2011), accessed on January 17, 2013, <http://www.agr.gc.ca/itpd-dpci/cr/6294-eng.htm>; *Canada-Peru Free Trade Agreement*, (Ottawa: Agri-Food Trade Policy, Agriculture and Agri-Food Canada, May 28, 2008 ), accessed on January 17, 2013, <http://www.agr.gc.ca/itpd-dpci/ag-ac/4780-eng.htm>.

<sup>580</sup> Canada-Caribbean Community Trade Agreement Negotiations, Foreign Affairs, Trade and Development Canada, accessed June 20, 2013, <http://www.international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/caricom/info.aspx?lang=eng>.

Members of the CARICOM include Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Saint Lucia, St. Kitts and Nevis, St. Vincent and the Grenadines, Suriname, and Trinidad and Tobago.

<sup>581</sup> Trans-Pacific Partnership Free Trade Agreement Negotiations, Foreign Affairs, Trade and Development Canada, accessed June 20, 2013, <http://www.international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/tpp-ptp/index.aspx>.

<sup>582</sup> Barrie McKenna, "Time To End Supply Management – But It Won't Go Quietly," *Globe and Mail*, June 24, 2012, accessed April 15, 2012, <http://www.theglobeandmail.com/report-on-business/international-business/asian-pacific-business/time-to-end-supply-management-but-it-wont-go-quietly/article4366885/>.

subsidy programs. To recall, the 2008 Growing Forward agreement was scheduled to expire on March 31<sup>st</sup>, 2013. The federal government has touted the new agreement, for making a distinct shift in emphasis from the Business Risk Management (BRM) (i.e. farm subsidy programs, as discussed above), to the Non-Business Risk Management (NBRM) programs that are intended to focus on strategic initiatives.<sup>583</sup> The NBRM programs are comprised of two components. One component will be administered by the provinces, will allow the provinces the flexibility to tailor the programs<sup>584</sup> for local needs, and involves a \$2 billion funding commitment (cost shared in accordance with the traditional 60:40 funding formula) by the federal government and provinces. The other component will be administered by the federal government, which will commit \$1 billion, and will involve three new programs (AgriInnovation, AgriCompetitiveness, and AgriMarketing) designed to address the three strategic goals of ‘innovation, competitiveness, and market development.’<sup>585</sup> These three programs are specifically designed to further shape the Canadian agriculture sector according to the neoliberal

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<sup>583</sup> “New Growing Forward Agreement Will Drive Innovation, Market Development and Long-Term Growth In Canadian Agriculture,” *News Release*, Agriculture and Agri-Food Canada, September 14, 2012, accessed on September 15, 2012, [http://www.agr.gc.ca/cb/index\\_e.php?s1=n&s2=2012&page=n120914](http://www.agr.gc.ca/cb/index_e.php?s1=n&s2=2012&page=n120914).

<sup>584</sup> These programs will address strategic initiatives in various areas such as innovation, competitiveness, market development, environmental sustainability, animal welfare, food safety, and research.

“Cost-Share Programs – Delivered by Provincial and Territorial Governments” Agriculture and Agri-Food Canada, accessed May 9, 2013, <http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1363721246498&lang=eng>.

<sup>585</sup> AgriInnovation is “designed to accelerate the pace of innovation” by supporting “industry-led research and development” and “commercialization.” AgriCompetitiveness is designed to “adapt to rapidly changing and emerging global and domestic opportunities and issues, respond to market trends and enhance business and entrepreneurial capacity.” AgriMarketing is designed to “support industry in gaining and maintaining access to markets and capitalizing on market opportunities, both at home and abroad.”  
Growing Forward 2, Agriculture and Agri-Food Canada, accessed on May 9, 2013, <http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1294780620963&lang=eng>.

model, by making investments designed to enhance its competitiveness, adaptability, and the role of private research.<sup>586</sup>

In addition, changes have been made to the BRM programs. First, the payment trigger for AgriStability has been lowered to 70 percent of historical returns, from 85 percent, and payouts will be lowered and capped when they are triggered. There is no question lower levels of payments will be triggered from this program. It is estimated that this change alone will reduce expenditures on farm subsidy by \$411 per year over the five years duration of the agreement (\$2 billion in total).<sup>587</sup> Second, the matching contributions made by government to AgriInvest, will be decreased from 1.5 to 1 percent of a farmer's eligible net sales, and the government's contribution cap has been decreased from \$22,500 to \$15,000. However, the maximum AgriInvest account balance has been increased from 25 percent to 400 percent of historical average net sales, and farmers can now withdraw their funds at any time (as opposed to only when their income drops to 15 percent of historical net income, as was the case previously). The idea here is to encourage farmers to put money in their AgriInvest accounts for 'rainy days,' while at the same time reducing government's contribution to the program. Third, the Advance Payments Program (APP) is a loan program formerly administered by the Canadian Wheat Board, which allows farmers to take out a cash advance on the value of their agricultural products, during a specified period. The federal government guarantees repayment of the cash advances, which are now administered by various farm organizations (e.g. Canadian Canola Growers Association, Manitoba Corn Growers Association Inc., Agricultural Credit Corporation), in order to ensure lower interest rates.

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<sup>586</sup> Ibid.

<sup>587</sup> Barry Wilson, "Five-Year Ag Deal Cuts \$2B From Supports," *Western Producer*, September 21, 2012, accessed September 22, 2012, <http://www.producer.com/2012/09/five-year-ag-deal-cuts-2b-from-supports%E2%80%A9/>.

Finally, the emergency disaster relief framework, AgriRecovery, was retained in order to provide a process for the federal, provincial, and territories governments to address on a case-by-case basis, income crises (due to extreme weather, pest, disease, etc.) wherein the other GF2 programs will not suffice.

Agriculture Minister Gerry Ritz has touted the Growing Forward II regime, as central to the Conservative government's attempt to 'modernize' the Canadian agriculture sector by increasing the emphasis in "innovation, competitiveness, and market development."<sup>588</sup> While the Grain Growers of Canada have praised the federal government for the changes, the Canadian Federation of Agriculture (CFA) and the National Farmers Union (NFU) and others have voiced their opposition to the reductions in BRM spending.<sup>589</sup> Indeed, the changes to AgriStability and AgriInvest were part of the \$310 million (10 percent) in cuts made to Agriculture and Agri-Food Canada over the three year period ending in 2015.<sup>590</sup> While concerns over these pending cuts certainly have merit, in reality, once again an important door has been left open for future increases in BRM spending. First, the continued inclusion of AgriRecovery actually institutionalizes obligation to provide disaster assistance, and gives farm groups a target

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<sup>588</sup> Chris Plecash, "Feds 'Modernizing' Agriculture Sector With Growing Forward 2, Say Ag Minister," *Hill Times*, April 22, 2013, accessed May 1, 2013, <http://www.hilltimes.com/policy-briefing/2013/04/22/feds-'modernizing'-agriculture-sector-with-growing-forward-2-says-ag/34450>.

<sup>589</sup> Ibid; Barry Wilson, "CFA Not Impressed With Farm Plan," *Western Producer*, September 28, 2012, accessed May 1, 2013, <http://www.producer.com/2012/09/cfa-not-impressed-with-farm-plan%E2%80%A9/>; Kevin Heppner, "Mixed Reaction to Growing Forward 2," *PorgageOnLine*, September 18, 2012, accessed May 1, 2013, [http://www.portageonline.com/index.php?option=com\\_content&view=article&id=28815%3Amixed-reaction-to-growing-forward-2-&Itemid=526](http://www.portageonline.com/index.php?option=com_content&view=article&id=28815%3Amixed-reaction-to-growing-forward-2-&Itemid=526); "Growing Forward 2 – Accelerating Globalization, Stalling Food Sovereignty Implications of the GF2 Strategic Initiatives Suite," National Farmers Union, February 2013, accessed May 1, 2013, <http://www.nfu.ca/sites/www.nfu.ca/files/Growing%20Forward%20%20-%20Accelerating%20Globalization,%20Stalling%20Food%20Sovereignty.pdf>.

<sup>590</sup> *2013-14 Reports on Plans and Priorities*, Agriculture and Agri-Food Canada, accessed May 1, 2013, <http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1360279926085>.

for lobbying when a farm income crisis does unfold. Second, no spending cap has been placed on the BRM portion of GF2. The Conservative government has stated that the programs are ‘demand driven,’ making it impossible to predict their costs. In effect, the Conservative government has left the door open to future ad hoc spending increases. If one combines this open door with the \$3 billion devoted to the NBRM programs, it is not difficult to envision how spending could climb to the levels seen in the past.<sup>591</sup> Thus, just as has been done by previous federal administrations many times before, the Conservative government has made moves to signal to farmers that they cannot rely as much on governments for risk management. However, the Conservative government has made other moves that would allow it to repeat the cycle of ad hoc emergency aid programs, which have become endemic in western Canadian agriculture. Indeed, the historical events documented in this study should give reason for pause. While farm incomes have improved for the time being,<sup>592</sup> there are too many variables (e.g. inclement weather, pests, disease, and trade issues) at play in farming to instill confidence in this author that it will last. Most notably, the market power imbalance between farmers and agribusiness remains unaddressed, meaning that the cost-price squeeze will always

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<sup>591</sup> As The NFU also argues that GF2 is part and parcel of a broader move to favour large corporate farms, invest government monies in the areas where agribusiness activity is concentrated (i.e. the development of technologies for the purposes of “innovation”). In effect, the federal government is subsidizing agribusiness’ technology development (chemicals, fertilizers, and GMOs), which farmers will ultimately have to pay for through increased costs. “Growing Forward 2 – Accelerating Globalization, Stalling Food Sovereignty Implications of the GF2 Strategic Initiatives Suite,” National Farmers Union.

<sup>592</sup> Short term anomalies such as a droughts in the United States and Russia during the 2012 growing season have played a role in increasing prices. Emma Rowley and Garry White. “World On Track For Record Food Prices ‘Within A Year’ Due To US Drought,” *The Telegraph*, September 23, 2012, accessed on May 1, 2013, <http://www.telegraph.co.uk/finance/commodities/9561143/World-on-track-for-record-food-prices-within-a-year-due-to-US-drought.html>.



threaten farmers' livelihoods as input prices also rise.<sup>593</sup> In fact, as the following chapters will demonstrate, there is good reason to believe that the disparity is only increasing.

## 5.5. Conclusion

Since 1986 a total of \$49.2 billion in farm subsidy payments were made to prairie farmers, and fully 59 percent of Canada's federal and provincial spending on agriculture went to farm subsidy programs.<sup>594</sup> Although prairie farmers generated over \$358 billion in revenue from the market, they were able to hold onto none of it.<sup>595</sup> In fact, their total Realize Net Farm Income stood at \$-17.6 billion, and they were over \$31 billion in debt. The farm crisis led to the loss of 24 percent of the prairie region's farms between 1986 and 2006. These figures along with the discussion above has revealed that farmers effectively depended on farm subsidies, in order to repeat the cycle of agricultural production (purchasing inputs, planting, and harvest) each year. The combination of agribusiness market power, neoliberal policy reforms, low prices, and natural calamities

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<sup>593</sup> As former President of the Canadian Federation of Agriculture has often described "In a meeting I had with a fertilizing industry a few years ago, they basically said they were increasing prices *because they could*." Bob Friesen, *Special Meeting on Co-operatives*, Meeting No. 3, 41<sup>st</sup> Parl., 1<sup>st</sup> sess., July 10, 2012, accessed May 1, 2013, <http://www.parl.gc.ca/HousePublications/Publication.aspx?Language=E&Mode=1&DocId=5698268&File=0>.

Two notable quotes from a recent analysis of farm input prices: 1) "Prices of fuel for farm machinery increased in 2011 and are forecast to do so again in 2012... fertilizer prices resumed their climb in 2011 and continue to rise in 2012;" and, 2) Fertilizer prices in Canada generally moved in tandem with agricultural commodity prices in most of the years over 1972-2010." "Canadian Farm Fuel and Fertilizer: Prices and Expenses." *Market Outlook Report*, 4, 1, (Ottawa: Agriculture and Agri-Food Canada, March 2012), 1 and 6, accessed May 1, 2013, [http://www.agr.gc.ca/pol/mad-dam/pubs/rmar/pdf/rmar\\_04\\_01\\_2012-03\\_eng.pdf](http://www.agr.gc.ca/pol/mad-dam/pubs/rmar/pdf/rmar_04_01_2012-03_eng.pdf).

<sup>594</sup> *An Overview of the Canadian Agriculture and Agri-Food System 2011*, Agriculture and Agri-Food Canada, February 2011, 130.

<sup>595</sup> Since 1987 farmers in Manitoba generated 72.4 billion in income from the markets, and total RNFI was \$-1.7 billion. Farmers in Saskatchewan generated \$131.8 billion and total RNFI was \$-6.1 billion. Farmers in Alberta generated \$154 billion, and total RNFI was \$-9.8 billion.

(i.e. drought and flooding), made the prospect of generating a profit from the market all but impossible, save for a few good years in the mid-1990s and late 2000s. There can be no doubt that further neoliberalization of the prairie farm economy is only destined to push more farmers off of the land. Further corporate concentration will only continue to dwindle farmers' bargaining position in the market place, and reduced farm subsidy mechanisms will only leave farmers less able to cope with periods of low prices and natural disasters. The following chapters examine the long running political conflict (between neoliberal and collectivist interests) over the Canadian Wheat Board's (CWB) single desk. The CWB was the last remaining collectivist institution capable of checking the market power disparity between farmers and agribusiness, in the export-oriented sectors of western Canadian agriculture. However, as will be shown, the CWB's fate was ultimately determined by its gradual and increasing isolation within the western farm policy community, due to neoliberal policy reforms.

## **Chapter 6**

### **Canadian Wheat Board, 1989-2006**

#### **6.1. Introduction**

The following chapter traces the gradual destabilization of the Canadian Wheat Board from 1989-2006. The CWB enjoyed the support of the vast majority of Canadian farmers throughout the early post-war decades. However, the growing division among prairie farmers and the coming to power of a neoliberal oriented government in Alberta in 1971, gave way to a new political and economic environment that began to threaten the future of the organization. The termination of the Crow Rate in 1983, spurred a domino effect that gradually destabilized the CWB over the following three decades. The Crow Rate had stabilized freight rates for farmers for the transport of their grain to port. Its termination made the US market much more attractive to some farmers, and led to a process of significant consolidation in the prairie grain handling sector. As a result, many farmers gravitated to the anti-single desk side of the debate, some cooperativist farm groups disintegrated (i.e. Manitoba Farm Bureau (MFB) and Saskatchewan Federation of Agriculture (SFA), and the CWB's strongest allies (the wheat pools)) undertook significant restructuring.

The destabilization of the CWB continued when the federal government undertook more policy reforms in the late 1980s and 1990s. In 1988 the Canada-US Free Trade Agreement (CUSTA) was established, which heightened the determination of many neoliberal farm groups and other non-aligned farmers who eyed the higher prices available in the US due to its Export Enhancement Program (EEP). In response, the

Mulroney government removed oats from the CWB's single desk in 1989, and attempted to remove barley in 1993. Although the latter attempt ultimately failed, a continental barley market (CBM) did function for a period of 40 days, which served to embolden the CWB's opponents. In 1995, the Chretien Liberal government terminated the WGTA, which immediately increased the speed and scope of branch line abandonment by railways and led to further consolidation in the grain handling sector.

The restructuring of the railway and grain handling system ultimately brought an end to the existence of the prairie wheat pools, all of which chose to privatize. The Crow Rate debate had also finally taken a toll on Unifarm in Alberta, which disintegrated just as the MFB and SFA had done a decade earlier. The CWB's strongest allies had suddenly disappeared. Tipping the balance further was the fact that the WGTA's end made the closer US market even more attractive to farmers near the border, many of whom were beginning to buy into the arguments propagated by neoliberal groups that they would be better off marketing their grain on their own. The Alberta government pounced on the opportunity by holding a plebiscite among its farmers, and launching an anti-CWB advertising campaign. Meanwhile, anti-CWB farmers began making attempts to sell their grain across the US border, which resulted in various legal actions in which the farmers posed as victims of bureaucracy, and which served to fan anti-CWB publicity.

The federal Liberal government responded to Alberta's actions by creating the Western Grain Marketing Panel (WGMP) in order to undertake an extensive study into all aspects of grain marketing. Although the WGMP recommended removing feed barley from the CWB's single desk, Agriculture Minister Ralph Goodale responded by holding a plebiscite 1996, in order to decide whether barley should remain under the single desk

system. In 1998, Goodale also introduced reforms that were designed to change the CWB's governance structure, effectively placing control in the hands of farmers, and to provide more flexible pricing arrangements. Under the direction of the farmer elected directors, the CWB became much more active in important policy debates concerning farmers, including grain handling, transportation, and Genetically Modified (GM) wheat. Yet despite these achievements, the CWB had to withstand domestic attacks by anti-single desk farm groups, as well as a series of trade challenges by the US. The CWB was thus mired in political battles throughout the early 2000s.

## **6.2. Composition of Prairie Farm Community**

The policy community concerning the issue of the future of the CWB's single desk consisted of two opposing groups, each anchored in opposing ideological traditions. On one side were the cooperative oriented organizations, which were ardent supporters of the CWB's single desk. For them, the single desk gave farmers some collective leverage in a marketplace otherwise dominated by much larger interests, and this produced better grain prices for Canadian farmers. Farm organizations included the National Farmers Union (NFU), Canadian Wheat Board Alliance (CWBA), and the Family Farm Foundation (FFF); other voices which were consistent supporters of the CWB included the NDP government of Saskatchewan, the NDP government that took office in Manitoba in 1999, and, of course, the CWB itself. As noted above, the provincial wheat pools were initially powerful supporters; however, after they ceased to be farmer cooperatives, they began moving into the opposite camp. The CWB's other defenders included organizations that focused on demanding that the federal government consult with

farmers via a plebiscite, before making any changes to the single desk. These organizations included Canadian Federation of Agriculture (CFA) and its provincial affiliates: Keystone Agricultural Producers (KAP), Agricultural Producers Association of Saskatchewan (APAS), and Wild Rose Agricultural Producers (WRAP), as well as the Saskatchewan Association of Rural Municipalities. Given that all of these organizations found common ground on the democratic argument (and were confident that farmers would opt for the status quo if asked a clear question), it was on that argument that they fought as a united front. The pro-CWB side also created a farm group specifically designed to engage in legal actions, known as the Friends of the Canadian Wheat Board (FCWB).

The anti-CWB side consisted of the neoliberal oriented farm groups, political parties, and business groups, as well as the large railway and grain-handling corporations. The neoliberal farm groups and political parties employed a rights discourse to make their case, arguing that the single desk infringed on their individual and property rights. Their political strategy involved challenging the CWB's legal authority, based on these arguments.<sup>596</sup> These farm groups included the Western Barley Growers Association (WBGA), Western Canadian Wheat Growers Association (WCWGA), Alberta Grain Commission (AGC), Alberta Barley Commission (ABC), the Grain Growers of Canada (GGC), other commodity groups, and the loosely formed coalition called the Canadian Farmers for Justice (CFJ). The political parties included the Progressive Conservative (PC) government of Alberta and federal opposition Reform Party (RP). The railways, grain companies, and private business associations focused their attack on the need for deregulation in the agriculture sector, as discussed in the previous section.

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<sup>596</sup> Skogstad, "The Dynamics of Institutional Transformation: The Case of the Canadian Wheat Board," 539.

### 6.3. Mulroney Progressive Conservative Government Reforms

#### 6.3.1. *The Canada-US Free Trade Agreement*

By the late 1980s the neoliberal farm organizations had significantly stepped up their attacks on the CWB. The impetus was the establishment of the Canada-US Free Trade Agreement (CUSTA) in 1988, and the implementation of the Export Enhancement Program (EEP) by the US government in 1985. The CUSTA removed barriers which had previously impeded the flow of grain between Canada and the United States,<sup>597</sup> and some have credited it with creating a more integrated Canada-US agriculture sector. The CUSTA served to increase the expectations that the US would be a viable market possibility for Canadian farmers who were opposed to the CWB's single desk and/or who were located near the US border. The attraction of the US market to some Canadian farmers was significantly enhanced by the existence of the EEP. The EEP was introduced by the US government in order to "help US farm products meet competition from subsidizing countries, especially the European Union."<sup>598</sup> The US was especially keen on recapturing international grain markets that had been lost to the EU.<sup>599</sup> Under the EEP, the United States Department of Agriculture (USDA) made bonus payments to farmers who produced agricultural products for export. As a result, the EEP raised the US price of wheat, barley, and durum above world prices, which not surprisingly made the US market very attractive to Canadian farmers. The US market became especially

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<sup>597</sup> Skogstad, *Internationalization and Canadian Agriculture*, 113.

<sup>598</sup> "Export Enhancement Program," *Fact Sheet*, United States Department of Agriculture, March 2006, accessed April 21, 2012, <http://www.fas.usda.gov/info/factsheets/EEP.pdf>.

<sup>599</sup> Skogstad, *Internationalization and Canadian Agriculture*, 113.

attractive for Canadian grain exports when EEP payments were increased significantly in the four year period between 1990-91 and 1994-95.

### **6.3.2. Oats Removed From CWB's Single Desk**

In response, the Mulroney government made two attempts to reform the CWB. The first, on August 1, 1989, successfully removed oats for export and human consumption from the CWB's single desk. Some 3 million tonnes of oats were grown in the prairie region at the time, of which 10 percent was used for human consumption.<sup>600</sup> The crop was becoming more popular in the human health food market. Even so, oats were a relatively small part of the CWB's operations, consisting of less than 1 percent of its total grain handling volume and sales. Therefore, federal Agriculture Minister Charlie Mayer attempted to sell the move as being relatively minor in the grand scheme of things.<sup>601</sup> The NFU warned that the change was nonetheless a concession to the neoliberal groups and the US, as the CUSTA got underway.<sup>602</sup>

The two sides of the CWB debate reached opposite conclusions about the effect that the removal of oats from the CWB's single desk had on the commodity. The neoliberal farm groups argued that oats have thrived in the private market. As evidence they pointed to the expansion of oats acreage<sup>603</sup>, expansion of the oats processing

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<sup>600</sup> The other 90 percent was fed to livestock.

<sup>601</sup> "Oat Marketing To be Privatized Starting August 1," *Toronto Star*, January 20, 1989, accessed April 21, 2012, <http://search.proquest.com>.

<sup>602</sup> The Canada-US Free Trade Agreement (CUSTA) came into effect in 1989.

<sup>603</sup> Oats production and exports increased in Manitoba and Saskatchewan due to the competitive advantage that they had over Alberta, given their close proximity to the US milling market in Iowa and Nebraska.



industry, and increase in oats exports, increased share of the US milling market, and improved returns for western Canadian farmers.<sup>604</sup> The collectivist farm groups countered by pointing to the fact increased exports to the US were due to the fact that the Canada-US Free Trade Agreement had just been signed (which gradually reduced the tariff on oats from \$18 per tonne to zero), the US government had gradually reduced its subsidy support for oats beginning in the early 1980s, the removal of the Crow Benefit in 1995 meant that shipping to the US market was less expensive since oats are bulky to transport for long hauls, and finally demand for oats increased significantly in the late 1980s due to its growing popularity as a health food product.<sup>605</sup> The collectivist farm groups also pointed to the drop in the price of oats that immediately followed its move to the open market. Appendix Section C shows that the price of oats dropped from over \$100 per tonne in July 1989 to \$86 per tonne after its removal from the CWB in August, and then down to around \$45 per tonne in mid 1991. In the immediate aftermath the price of oats dropped from \$185.9 per tonne in August to \$67.02 per tonne in September, and then to \$51.34 per tonne by 1991. However, Appendix Section C also shows that the price of oats has trended upward ever since. At the very least, the oats case demonstrates the complexity of the factors that determine grain prices.

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<sup>604</sup> “A Case Study of the Canadian Oat Market: The Evolution from the Central Desk System to the Open Market,” Alberta Agriculture, Food and Rural Development, November 2005: 1, accessed April 22, 2012, [http://www1.agric.gov.ab.ca/\\$department/deptdocs.nsf/all/age6751/\\$FILE/OatsStudyNov2005.pdf](http://www1.agric.gov.ab.ca/$department/deptdocs.nsf/all/age6751/$FILE/OatsStudyNov2005.pdf); Colin A. Carter and R.M.A. Loyns, “The Canadian Wheat Board: Its Role In North American State Trading,” *The Role of State Trading of Agricultural Products in North American*, Institute of International Studies, Stanford University, October 1998, 7, accessed August 10, 2012, <http://aic.ucdavis.edu/oa/stecwb.pdf>; “Removal of the Canadian Wheat Board’s Single Desk Selling Powers,” *Issue In Focus*, Saskatchewan Chamber of Commerce, September 2011, 7-8, accessed April 21, 2012 [http://www.saskchamber.com/files/File/Research/2011/Issue%20in%20Focus/CWBOverviewOpp\\_Final\\_Sept29.pdf](http://www.saskchamber.com/files/File/Research/2011/Issue%20in%20Focus/CWBOverviewOpp_Final_Sept29.pdf).

<sup>605</sup> “Background on Issues Relating To the CWB,” Friends of the Canadian Wheat Board, Fall, 2011, 1-2, accessed April 22, 2012, [http://friendsofcwb.ca/docs/CWB\\_Background.pdf](http://friendsofcwb.ca/docs/CWB_Background.pdf).

Three points must be made about the CWB and grain prices, for the purposes at hand here. First, grain prices are determined by international market dynamics. Second, the prices reported in Appendix Section C are average prices for each month, across various locations in each province. Finally, the CWB made sales within the international marketplace, that when added together, amounted to higher returns for farmers than would have been realized by farmers acting individually.<sup>606</sup> The CWB was never able to publically report the premiums it earned due to the contracts it had with its customers. The most significant role of the CWB was the fact that it brought market power and clout on behalf of farmers into the market and farm policy arenas. Therefore, the most significant impact of the removal of oats was that it helped to build momentum for the end of the CWB's single desk. Finally, Chapter 4 reminds us that despite increases in oats acreage, price, exports, and processing, profit margins were negative for most of post 1989 period.

### ***6.3.3. Temporary Continental Barley Market***

The Mulroney government's second reform attempt occurred in June 1993, when Agriculture Minister, John Mayer, announced that farmers would be able to sell feed and malt barley sales into the US, outside of the CWB system, beginning on August 1st.<sup>607</sup> Restrictions on US barley imports into Canada were also removed. Ottawa's aim was to

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<sup>606</sup> Andrew Schmitz, Troy Schmitz, and Richard Gray, "The Canadian Wheat Board and Barley Marketing," Knowledge Impact In Society, University of Saskatchewan, February 10, 2005, accessed on April 21, 2012, [http://www.kis.usask.ca/pdfs/CWB\\_Studies/%20Barley%20report\\_Feb2005.pdf](http://www.kis.usask.ca/pdfs/CWB_Studies/%20Barley%20report_Feb2005.pdf).

<sup>607</sup> "Board Loses Monopoly on Barley Exports," *Kitchener-Waterloo Record*, June 4, 1993, accessed April 25, 2012, <http://search.proquest.com>.

create a 'continental barley market' (CBM). The Mulroney government's decision came on the heels of the publication of a report that it had commissioned by University of California agricultural economist Dr. Colin Carter, to investigate whether barley should be removed from the single desk so that farmers could sell it directly to the US.<sup>608</sup> The resulting report stated that significant opportunities for barley sales existed in the US, and that the creation of a CBM would see a dramatic increase in barley acres in the prairie region.<sup>609</sup> Ottawa had also formed a 19 member roundtable that included representatives from the wheat pools, UGG, CWB, Canadian Grains Council, livestock farm groups, the railways, and governments, to study the issue.<sup>610</sup> Mayer promised that the CBM would be reviewed after a five year period, and reversed if it was found to be detrimental to farmers.

The announcement drew the ire of several farm groups. In the US farm groups, such as the Oregon Grains Commission, declared that they were vehemently opposed to the idea of a CBM.<sup>611</sup> They argued that a substantial increase in Canadian barley imports would severely depress prices. In Canada, over 20 farm organizations including the Canadian Federation of Agriculture (CFA), National Farmers Union (NFU), and the prairie wheat pools opposed the move, arguing that the change would undermine the

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<sup>608</sup> "Barley Market Study Launched," *Windsor Star*, November 14, 1992, accessed April 24, 2012, <http://search.proquest.com>.

<sup>609</sup> "Farmers Criticize Wheat Report," *Kitchener-Waterloo Record*, April 20, 1993, accessed April 25, 2012, <http://search.proquest.com>.

<sup>610</sup> "Round Table Tackles Topic of Direct Barley Sales to the U.S.," *Edmonton Journal*, December 10, 1992, accessed April 24, 2012, <http://search.proquest.com>.

<sup>611</sup> "U.S. Groups Will Oppose Canadian Proposals," *Kitchener-Waterloo Record*, May 14, 1993, accessed April 25, 2012, <http://search.proquest.com>.

CWB's strategic selling efforts and result in lower barley prices.<sup>612</sup> In addition, they declared that Ottawa's actions were "an affront to the principles of open and consultative government, and to the very principle of democracy itself," and called for a farmer plebiscite on the issue.<sup>613</sup> All of the organizations signed a document, which stated Mayer had betrayed farmers.

In July the prairie pools brought forth an injunction, which was designed to block the change introduced by the Mulroney government.<sup>614</sup> The legal challenge argued that the federal government could only make such a change through an amendment to the Canadian Wheat Board Act; the change had been made via an Order In Council. In September the Federal Court's trial division struck down the federal government order that deregulated the marketing of Canadian barley.<sup>615</sup> The court sided with the pools and ruled that such a change was unconstitutional, and required an act of Parliament. Ottawa filed an appeal, which was heard in November, and received the support of Alberta Agriculture Minister Walter Paszowski.<sup>616</sup> The federal government's lawyer argued that the Federal Court should suspend its decision, because hundreds of contracts had been signed based on the barley reform, which would result in irreparable losses.<sup>617</sup> However, before the appeal could be heard, the PC government was defeated in the federal election

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<sup>612</sup> "Farm Groups Protest Federal Barley Decision," *Kitchener-Waterloo Record*, June 10, 1993, accessed April 25, 2012, <http://search.proquest.com>.

<sup>613</sup> Ibid.

<sup>614</sup> "Barley Battle Looms Saskatchewan Farm Group Says Wheat Board Undermined," *Globe and Mail*, July 3, 1993, accessed April 25, 2012, <http://search.proquest.com>.

<sup>615</sup> "Canadian Court Strikes Down Government Decision On Barley," *Toronto Star*, September 13, 2012, accessed April 25, 2012, <http://search.proquest.com>.

<sup>616</sup> "Agriculture Minister Favors Open Market," *Calgary Herald*, September 17, 1993, accessed April 27, 2012, <http://search.proquest.com>.

<sup>617</sup> "Court Decision Threatens Farmers and Grain Contracts, Says Federal Lawyer," *Edmonton Journal*, September 17, 1993, accessed April 25, 2012, <http://search.proquest.com>.

by the Liberals. The new Agriculture Minister, Ralph Goodale, stated that he preferred to discontinue the appeal process and have farmers decide the issue through a plebiscite.<sup>618</sup>

The Continental Barley Market (CBM) functioned for a period of 40 days, from August 1<sup>st</sup> to September 10<sup>th</sup>. During that period a record amount of barley left Alberta for the US market. Once the CBM was shut down, the flow of barley was reduced and Alberta farmers alleged that they received 50 percent less, per bushel, for their barley.<sup>619</sup> However, the pro-single desk sided contended that the price of barley plummeted in this period.

#### **6.4. Liberal Government Reforms**

Upon taking power in the late fall of 1993, the Chretien Liberal government inherited a policy legacy of deregulation in Canadian agriculture, which had been initiated by the Mulroney government. The reforms included the replacement of the Crow Rate (a grain transportation subsidy paid to the railway companies) with the Crow Benefit (a transportation subsidy paid to farmers enshrined in the WGTA in 1983 by the Trudeau Liberal government), the attempt to remove the CWB's single desk for the sale of barley in the US in 1993, and a plan to reform the Western Grain Transportation Act (WGTA).<sup>620</sup> In late November, Goodale announced that the federal government would be

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<sup>618</sup> "Goodale Not Sure Canada Can Quit Barley Base," *Kitchener-Waterloo Record*, November 17, 1993, accessed April 26, 2012, <http://search.proquest.com>.

<sup>619</sup> Donald Campbell, "Minister Says Vote Means Choices," *Calgary Herald*, September 30, 1995, accessed May 4, 2012, <http://search.proquest.com>.

<sup>620</sup> The day after John Mayer announced his intention to remove barley from the CWB's single desk for sales into the US, he announced that his government also intended to reform the Western Grain Transportation Act (i.e. Crow Benefit). He stated that reform would involve making the Crow Benefit payment to farmers instead of the railways, and would the railways to raise their freight rates to their true cost over a four year period. The railways would also be granted more freedom to

abandoning the federal government's court appeal on the CWB barley case.<sup>621</sup> The Alberta government was vehemently opposed to the move, and argued that Alberta farmers had fared well during the brief CBM and wanted it reinstated.<sup>622</sup>

#### **6.4.1. Debate Over Continental Barley Market Continues**

In mid-February 1994, a group of neoliberal organizations (Alberta Barley Commission, Western Barley Growers Association, Western Canadian Wheat Growers Association, and the United Grain Growers<sup>623</sup>) held a press conference to demand a plebiscite on the Continental Barley Market (CBM) issue.<sup>624</sup> UGG claimed that 76 percent of the 600 farmers it polled wanted a plebiscite. The groups argued that the CWB was no longer needed by farmers, and was too costly to run for farmers and tax payers. Goodale replied that there was no time to handle the issue properly, and expect that an open market could be in place for the 1994 crop year.<sup>625</sup>

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abandon unprofitable branch lines, and to offer more favourable rates to farmers located near main lines. A committee was struck to study the issue, and table a report in November.

“Tories Plan To Overhaul Subsidy for Transporting Prairie Grain,” *Kitchener-Waterloo Record*, June 5, 1993, accessed April 25, 2012, <http://search.proquest.com>.

<sup>621</sup> “Wheat Board Case Ends,” *Globe and Mail*, November 22, 1993, accessed April 27, 2012, <http://search.proquest.com>.

<sup>622</sup> Donald Campbell, “Barley Sales Hotly Debated,” *Calgary Herald*, November 27, 1992, accessed April 27, 2012, <http://search.proquest.com>.

<sup>623</sup> To recall, the UGG had transformed from a cooperative to a publically traded corporation in 1992. Already, only a year later, it had turned against the CWB and joined sides with the Market-Liberal groups.

<sup>624</sup> Anne Crawford, “Farmers Demand Plebiscite,” *Calgary Herald*, February 15, 1994, accessed April 27, 2012, <http://search.proquest.com>.

<sup>625</sup> Donald Campbell, “No Decision Expected Soon On Barley Vote,” *Calgary Herald*, February 22, 1994, accessed April 27, 2012, <http://search.proquest.com>.

The best barometer of the level of support enjoyed by the CWB at that time, was the 1994 advisory committee elections. The CWB's advisory committee consisted of a group of farmers elected by their peers, to provide advice to the CWB's commissioners with regard to the CWB's various operations. That fall, farmers voted 10 pro-single desk candidates, out of a possible 11, onto the CWB advisory committee. Some 63 percent of the 39,000 farmers who cast ballots voted for pro-CWB candidates. Voter turnout for the mail-in ballots was 40 percent. Given the acrimony over the barley issue the election as viewed as a referendum on the on the future of the single desk by many in the prairie farm community. Therefore, farm groups on both sides of the issue actively endorsed candidates, and encouraged farmers to participate in the vote.<sup>626</sup> The Saskatchewan Wheat Pool (SWP) and NFU heralded the result as a clear indication of where most farmers stood with respect to the CWB.

#### ***6.4.2. Policy Community Shift: Wheat Pools Privatize***

A major turning point in the history of the CWB began when Liberal Finance Minister Paul Martin announced that the WGTA (Crow Benefit) would be terminated in his budget address on February 27<sup>th</sup> 1995, in the House of Commons. As discussed earlier, the WGTA was targeted in Martin's budget cuts, which were intended to tackle the deficit and balance the budget. Another motivation for terminating the WGTA was the new trade rules that had come into effect with the establishment of the World Trade Organization (WTO) on January 1<sup>st</sup>. Canada was not required to cut the WGTA (export subsidies) all at once, a move that was certainly not made by the US and EU.

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<sup>626</sup> Adrian Ewins, "Farmers Say No To Dual Market," *Western Producer*, December 8, 1994, accessed April 28, 2012, <http://www.producer.com>.

The railway deregulation severely destabilized the CWB, due to a serious erosion of its support system within the prairie farm policy community. The CWB's destabilization unfolded in two ways. First, the WGTA's termination served to make the US market a much more attractive option for the export of Canadian wheat, durum, and barley. As indicated in Chapter 4, freight rates more than doubled within a year of the WGTA's end. Thus, it had suddenly become much cheaper to ship grain to the US market, than to the ports for shipment to international markets. However, the US market also became even more attractive to farmers who were opposed to the CWB, and/or wanted to sell their grain directly into the US themselves. The heightened attractiveness of the US market served to lend credence to the idea long propagated by neoliberal proponents: farmers were capable of marketing and selling their grain on their own, and to erode the support for the CWB within the prairie farm policy community. As a result, many farmers began to direct more of their criticisms at the cooperative institutions (e.g. CWB) and governments, rather than the grain companies and railroads.

The second way that the CWB became destabilized, was through the significant consolidation in the prairie grain-handling sector (abandonment of grain-dependent branch lines and the shifting of elevator networks to main lines) that unfolded in the immediate aftermath of the WGTA reform. In Saskatchewan the number of licensed primary elevators decreased from 1,340 to just 335 from 1995 to 2006.<sup>627</sup> This rebuilding and repositioning period permitted new entrants, including ConAgra, Archer Daniels Midland (ADM), Louis Dreyfus, and Bunge, into the prairie grain handling industry. The

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<sup>627</sup> Lang. *Cognition, Agency Theory, and Organizational Failure: A Saskatchewan Wheat Pool Case Study*, 74.



presence of these powerful TNCs and the greater latitude granted to the railways, forced the wheat pools begin a period of rapid transformation in order to remain competitive.<sup>628</sup>

The consolidation posed a significant challenge for the prairie pools. In the mid-1990s, the SWP was the largest grain handler in western Canada. It had controlled over 60 percent of Saskatchewan's grain handling capacity since the early 1970s.<sup>629</sup> The SWP held true economic and political power, and together with the other wheat pools and CWB, served as a formidable bulwark for collectivist and cooperativist values and institutions in the prairie agriculture sector. But, in early 1996, the SWP transformed itself from a membership, cooperative-based organization, to a public shareholder corporation. The restructuring effectively ended the SWP's farm policy advocacy, as farmers began to view it as a grain company with no credible policy advocacy role.<sup>630</sup> The Manitoba Pool Elevators (MPE) and Alberta Wheat Pool (AWP) also undertook major restructuring of their own at this time, in a bid to remain competitive. On August 1<sup>st</sup>, 1998, the MPE and AWP merged and formed a new corporation, known as Agricore.

<sup>631</sup> Agricore became the second largest grain handler in Canada, behind only the SWP.<sup>632</sup>

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<sup>628</sup> Ibid., 77-82.

<sup>629</sup> Ibid., 1.

<sup>630</sup> The SWP operated as a dual-purpose organization. One element was its business operations including grain storage, grain handling, and crop input supply and membership patronage refunds. The other element was its policy advocacy on behalf of farmers. The SWP's policy advocacy involved direct discussions with government officials and lobbying on such issues as railway transportation costs, taxation, and health services.

Ibid., 94-95; Kevin Hursh, "In Search of Real Farmers For New CWB," *Star Phoenix*, October 1, 1997, accessed April 30, 2012, <http://search.proquest.com>.

<sup>631</sup> Steven Chase, "Prairie Grain Co-operatives To Merge In Move To Boost Competitive Abilities," *Globe and Mail*, August 1, 1998, accessed May 1, 2012, <http://search.proquest.com>.

<sup>632</sup> The MPE and AWP had \$3.4 billion in combined sales in 1997, 1.5 million tonnes of grain-elevator storage capacity and 2,000 employees. The SWP had \$4 billion in sales in 1997, 1.7 million tonnes of storage capacity.

At the time, delegates ruled out the option of selling shares publicly as the SWP had done, in order to retain full ownership and all profits from the cooperative.

The consolidations continued into the new century, and eventually resulted in the total disappearance of any vestige of the former prairie pools in the prairie region. In mid-July 2001, Agricore and United Grain Growers Ltd. merged to form Agricore United (AU), which became the second largest grain company in Canada next to the SWP.<sup>633</sup> The SWP attempted to stay ahead of its competition during this period, by undertaking a major restructuring process. For instance, by mid-November 2001, it had replaced some 300 elevators with 30 high-throughput elevators, in order to create a more efficient and cost-effective system.<sup>634</sup> The wheat pool moniker disappeared from the prairie landscape entirely in late 2006-07, when the prairie agriculture sector underwent further consolidation. On May 10<sup>th</sup>, 2007, the SWP announced its takeover of Agricore United.<sup>635</sup> The SWP stated that the takeover offered it the chance to be a mega-TNC, like its competitors. The successor company became known as Viterra, and was projected to have annual sales around \$4 billion and to become the biggest grain handler in the western Canada with 104 elevators and 42 percent of the market share. Viterra also became active in seed selling, fertilizers, pesticides, processing oats, barley and livestock feed, and farm financial products.

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<sup>633</sup> Michelle Lang, "Grain Firms Are Planning Merger: Agricore, UGG To Join," *Leader Post*, July 31, 2001, accessed May 4, 2012, <http://search.proquest.com>.

<sup>634</sup> Craig Wong, "Saskatchewan Wheat Pool President Says Elevator Closures Finished," *Canadian Press*, November 12, 2001, accessed May 4, 2012, <http://search.proquest.com>.

<sup>635</sup> John Greenwood, "Sweeter SaskPool Offer Lands Agricore," *National Post*, May 10, 2007, accessed May 15, 2012, <http://search.proquest.com>; Tim Cook, "Sask Pool Makes Bid To Buy Agricore United To Create \$1.2 Billion Company," *Canadian Press*, November 7, 2006, accessed May 14, 2012, <http://search.proquest.com>.

### **6.4.3. Anti-CWB Activity: Alberta Plebiscite**

As discussed above, the end of the WGTA had given the neoliberal organizations and farmers a major boost in their campaign against the CWB. In the fall of 1995 the Alberta PC government announced that it would hold a plebiscite for its grain farmers, on the question of whether they wanted the CWB's single desk for wheat and barley to continue. In the plebiscite, any farmer who grew wheat or barley within the previous three years was eligible to vote. Alberta Agriculture Minister, Walter Paszkowski emphasized that the plebiscite was about whether farmers wanted a bigger market with more choices, and not about doing away with the CWB.<sup>636</sup> Therefore, the plebiscite question read: "Are you in favour of having the freedom to sell your barley/wheat to any buyer, including the CWB, into domestic and export markets?" The Alberta plebiscite saw a strong majority of farmers vote for more options for marketing their grain. Some 66 percent of the barley farmers and 62 percent of wheat farmers, who participated, selected the 'yes' options on their ballots.<sup>637</sup> The Alberta government declared that it had been granted a mandate to pressure the federal government for immediate the reform of the CWB.

The common response to the plebiscite outside of Alberta was to dismiss the results and its importance. The collectivist farm groups and the government of Saskatchewan quickly dismissed the results. They argued that not even half of all eligible farmers participated. The Alberta government reported that 16,151 farmers

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<sup>636</sup> Adrienne Tanner, "Wheat Board Faces Evaluation," *Edmonton Journal*, September 28, 1995, accessed April 27, 2012, <http://search.proquest.com>.

<sup>637</sup> Mairi Maclean, "Alberta Farmers Vote For Marketing Change," *Edmonton Journal*, December 7, 1995, accessed April 27, 2012, <http://search.proquest.com>.

participated in the plebiscite, and that voter turnout was 50 percent. However, the pro-single desk side claimed that turnout was much less than 50 percent, because Alberta had at least 50,000, and perhaps as high as 75,000, eligible grain farmers at the time.<sup>638</sup> The pro-single desk side also argued that the plebiscite question was designed to encourage farmers to vote 'yes.' They alleged that the question actually encourage farmers who wanted specific changes to the CWB, but still preferred the single desk, to vote 'yes.' In addition, the pro-single desk groups argued that the question was based on the false premise: that the CWB would remain a viable marketing option, if its single desk were removed.<sup>639</sup> Nevertheless, the result seemed to confirm what many analysts had suspected: support for the CWB was weaker in Alberta. Goodale reacted by stating that the results of a questionable plebiscite in one province could not be used to dismantle a system that affects grain farmers in all three prairie provinces. He also pointed out that since grain marketing was a federal jurisdiction, the Alberta vote had no binding legal effect.<sup>640</sup>

#### ***6.4.4. Anti-Single Desk Border Runs and Legal Actions***

The second half of the 1990s saw several forms of protest and defiance, carried out by the anti-single desk organizations. A prominent series of incidents in this period were carried out by an alliance involving the Alberta government and anti-single desk

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<sup>638</sup> Mairi MacLean, "Some Farm Groups Question Anti-Wheat Board Vote," *Edmonton Journal*, December 7, 1995, accessed April 28, 2012 <http://search.proquest.com>.

<sup>639</sup> The CWB's operations are entirely dependent on its single desk, because it owns no assets and would not be able to guarantee supply to fill contracts.

<sup>640</sup> "Grain Vote Provides Shaky Direction," *Calgary Herald*, January 3, 1996, accessed April 28, 2012, <http://search.proquest.com>.

farm groups called the Market Choice Implementation Group (MCIG). The MCIG was formed in the early winter of 1996, and tasked with formulating an appropriate course of action for the province regarding the CWB.<sup>641</sup> The MCIG consisted of 11 members, and was chaired by Leo Mayer, a representative of Alberta's oat farmers. The formation of the MCIG signaled an imminent showdown with the federal government over the future of the CWB. The MGIC's members carried out four types of actions in 1996.

In April a large convoy of Alberta grain farmers attempted to drive across the border at the town of Coutts, in order to sell their grain independently in the US. Similar border runs had already been attempted by members of the Canadian Farmers for Justice in late 1995.<sup>642</sup> The MGIC farmers were charged with customs violations at the border. Despite the charges, the farmers vowed to keep making running the border until their wishes to be free of the CWB's single desk were granted.<sup>643</sup> Alberta Premier Klein and Agriculture Minister Paszkowski stated that while they did not condone the action, they certainly understood the farmer's frustrations and asked Ottawa to change the 'bad' and 'outdated' law.<sup>644</sup>

The second action took place the day after the border running incident at Coutts, when the Alberta government announced that it would be initiating a legal action regarding the CWB issue that spring. Agriculture Minister Walter Pazkowski announced

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<sup>641</sup> "A Bad Month For Monopoly: Secret Meetings and an Alberta Challenge Spell Trouble for the Canadian Wheat Board," *Report Newsmagazine*, February 5, 1996, accessed April 28, 2012, <http://search.proquest.com>.

<sup>642</sup> Grace Skogstad. "The Dynamics of Institutional Transformation: The Case of the Canadian Wheat Board," 539.

<sup>643</sup> Mairi MacLean, "Farmers Vow They'll Continue Grain Fight," *Calgary Herald*, May 24, 1996, accessed April, 27, 2012, <http://search.proquest.com>.

<sup>644</sup> Mark Lisac, "Alberta Government Gives Winking Consent To Illegal Farmer Activity," *Calgary Herald*, April 26, 1996, accessed April 29, 2012, <http://search.proquest.com>.

that the Alberta government would launch a lawsuit designed to precipitate the removal of the single desk.<sup>645</sup> The legal action made a ‘constitutional reference’ designed both to challenge the legality of the CWB Act under the Charter of Rights and Freedoms, and take the case straight to the Supreme Court. The plaintiffs for the constitutional challenge were the Alberta Barely Commission (ABC), Western Barley Growers Association (WBGA), and 21 individual farmers.

The third action occurred in May, when the Alberta government unveiled a plan to allow its grain farmers market their grain into the US, outside of the CWB system.<sup>646</sup> The scheme would involve the Alberta government serving as a grain marketing agent for its farmers, in order to bypass the CWB and sell directly to US buyers.<sup>647</sup> Alberta would buy grain from its wheat and barley farmers for \$1, truck it across the border, sell it back to the farmers for \$1, and the farmers would then sell it to US grain buyers of their choosing. Pazkowski claimed that Alberta’s farmers could realize 30 percent higher returns for their grain under the plan. The plan would be put into action pending the legal advice from the government’s lawyers. Goodale slammed the plan, warning that federal law applies to any entity that attempts to transport grain to the US.

The final action occurred in the fall of 1996 the Alberta government stepped up its campaign against the CWB, by running radio ads across the province for a three week period. The ads expressed the government’s support for the farmers who wanted to sell

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<sup>645</sup> Gordon Jaremko and Sheldon Alberts, “Alberta Plans Lawsuit: Canadian Wheat Board,” *Calgary Herald*, April 23, 1996, accessed April 27, 2012, <http://search.proquest.com>.

<sup>646</sup> “Alberta To Help Farmers Quit Wheat Board,” *Edmonton Journal*, February 15, 1996, accessed April 28, 2012, <http://search.proquest.com>.

<sup>647</sup> “Wheat Board Assails Alberta Grain Plan,” *Globe and Mail*, May 13, 1996, accessed April 28, 2012, <http://search.proquest.com>.

their grain on the open market.<sup>648</sup> In the ads, Paszkowski stated “it’s your grain, it should be your choice.” The ad campaign cost the province \$67,000, and was followed up with a \$25,000 mail-out campaign. The WCWGA also ran radio ads across the prairie region at that time. The WCWGA’s ads urged Goodale to implement the recommendations of the WGMP.

These actions resulted in two series of court decisions. First, the ruling on the constitutional challenge was brought forth on April 15<sup>th</sup>, 1997. Federal Court judge Francis Muldoon ruled that the federal government has a right to regulate the market as it sees fit, in a free and democratic society such as Canada’s.<sup>649</sup> He added that the CWB’s single desk represents a reasonable infringement on farmers’ rights and that there was no constitutional reason to remove barley from the CWB’s single desk. Moreover, Muldoon stated that the issue was for Parliament to decide, not the courts. The anti-CWB side expressed their disagreement with the judge, and declared that they were slowly working their way out from under the CWB’s control.<sup>650</sup> The ABC filed an appeal in the Federal Court of Appeal on May 9<sup>th</sup>.<sup>651</sup> The constitutional challenge was defeated again June 2000, and then was finally dismissed in March 2001 when the Supreme Court of Canada ruled that it would not hear the group’s appeal of the two lower court rulings.<sup>652</sup> The

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<sup>648</sup> David Steinhart, “Province ‘Ads’ To Grain Battle,” *Calgary Herald*, September 19, 1996, accessed April 29, 2012, <http://search.proquest.com>.

<sup>649</sup> Archibald v. Canada (T.D.), [1997] 3 F.C. 335, April 11, 1997, T-2473-93, accessed on April 28, 2012, <http://reports.fja.gc.ca/eng/1997/1997fc20443.html>; “Wheat Board’s Barley Monopoly Legal: Ruling,” *Star Phoenix*, April 15, 1997, accessed April 29, 2012, <http://search.proquest.com>.

<sup>650</sup> “Ruling Angers Barley Group,” *Edmonton Journal*, April 16, 1997, accessed April 28, 2012, <http://search.proquest.com>.

<sup>651</sup> “Farm Panel Appeals Wheat-Act Ruling,” *Globe and Mail*, May 10, 1997, accessed April 30, 2012, <http://search.proquest.com>.

<sup>652</sup> David Parkinson, “Grain Growers Lose Wheat Board Challenge,” *Globe and Mail*, March 16, 2001, accessed May 3, 2012, <http://search.proquest.com>.

group spent some \$1.5 million on its legal challenges on behalf of 38,000 Alberta barley farmers.

The second series of court decisions related to the border runs that took place in April 1996. Through a series of hearings the farmers who had been charged with illegally attempting to sell their grain into the US, were convicted of violating the Canada Customs Act. Some of them attempted to challenge the legality of the CWB on the basis that it was an affront to individual property rights. However, all of the judges found the CWB to be well within the powers of the federal government to regulate commerce and trade.<sup>653</sup> The farmers received mostly modest fines and suspended licenses, as penalties. However, some of them chose to go to jail instead of paying their fines or for refusing to surrender their trucks to Canada Customs.<sup>654</sup> In September 2002, 12 Alberta farmers involved in the April 1996 border run made a spectacle of their jail terms, in order to draw attention to their issue. Prior to beginning their sentences the farmers succeeded in generating national media attention when they travelled to Ottawa to confront Agriculture Minister Vanclief, and then held a rally in Lethbridge.<sup>655</sup> On the day they entered jail, a media event was held that featured the farmers saying good-bye to their families, against a backdrop of hundreds of supporters who protested their

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<sup>653</sup> Francine Dube, "Farmers Loses Case Over Illegal Export of Wheat To US," *National Post*, February 6, 1999, accessed May 2, 2012, <http://search.proquest.com>; Lorne Gunter, "Wake Up Ottawa, the Second World War Is Over," *Kingston Whig-Standard*, February 16, 1998, (accessed April 30, 2012, <http://search.proquest.com>; Scott Edmonds, "Wheat Board Act Gets Second Seal of Approval," *Canadian Press*, February 19, 1998, accessed April 30, 2012, <http://search.proquest.com>.

<sup>654</sup> Martin O'Hanlon, "Court To Decide Fate of Renegade Farmers," *Canadian Press*, January 1998, accessed April 30, 2012, <http://search.proquest.com>; "Farmer Goes To Jail For Barley Running," *Star Phoenix*, January 17, 1998, accessed April 30, 2012, <http://search.proquest.com>; Tom Arnold, "Wheat Farmers Pick Jail Over Paying Fines," *National Post*, September 9, 2002, accessed May 4, 2012, <http://search.proquest.com>.

<sup>655</sup> Maria Canton, "Rebel Wheat Farmers Brace For Jail: Rally Will Be Last Stand Against CWB," *Calgary Herald*, October 31, 2002, accessed May 4, 2012, <http://search.proquest.com>.



punishment.<sup>656</sup> Upon their release, the farmers vowed to ship more grain across the border in protest.<sup>657</sup>

#### **6.4.5. Western Grain Marketing Panel**

In response to the Alberta plebiscite, Goodale established the Western Grain Marketing Panel (WGMP)<sup>658</sup> in 1995, with a mandate to examine all aspects of Canadian grain marketing, including the CWB.<sup>659</sup> The WGMP held public hearings across the prairie region through the winter of 1996, and received submissions from industry stakeholders in the spring. During the hearings the Alberta government presented a commissioned report, which showed how Alberta farmers would be better off marketing their grain themselves and how they preferred marketing choice. The CWB and pro-single desk groups submitted papers that demonstrated the advantages of single-desk selling.

The WGMP tabled its report in early July 1996. A key recommendation was that the CWB's single desk over export sales of feed barley be brought to an end. Farmers would have the option of selling their feed barley on the open market, both domestically and internationally, or through the CWB. The WGMP report outlined four reasons for

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<sup>656</sup> Carol Harrington, "13 Alberta Farmers Jailed For Violating Custom Rules By Hauling Grain To US," *Canadian Press*, October 31, 2002, accessed May 4, 2012, <http://search.proquest.com>.

<sup>657</sup> Linda Slobodian, "Jailed Farmers Vow More Disruption: Second US Crossing Considered," *Calgary Herald*, December 11, 2002, accessed May 5, 2012, <http://search.proquest.com>.

<sup>658</sup> The nine member WGMP panel consisted of W. Thomas Molloy, Jack Gorr, Wally Madill, John Neufeld, Bill Duke, Jim Leibfried, Owen McAuely, John Pearson, and Avery Sahl. The WGMP's Executive Director was Dr. Murray Cormack. Western Grain Marketing Panel, *Report*, Ottawa, July 1, 1996.

<sup>659</sup> Sonya Dakers and Jean-Denis Frechette, *The Grain Industry In Canada*, (Ottawa: Parliamentary Research Branch, September 1998), accessed on April 28, 2012, <http://publications.gc.ca/collections/Collection-R/LoPBdP/BP/prb982-e.htm>.

removing the single desk for feed barley: 1) the quality of Canadian feed barley is not superior to feed barely produced in other countries and there is little evidence that the CWB had been able to obtain a price premium in that market;<sup>660</sup> 2) there had been inadequate price signals from the CWB on export prices and there had been a lack of spot and forward price signals; 3) there had been a periodic lack of arbitrage<sup>661</sup> between offshore export prices and US prices on the one hand, and Canadian domestic prices on the other; and, 4) a significant number of western farmers were clearly of the belief that they had suffered income losses because they have been prevented from realizing the highest market prices available, and thus had lost income.

Other recommendations made by the WGMP included: maintaining the CWB's single desk for all classes of wheat and malting barley; allowing farmers to sell a portion of their wheat on the spot cash price basis market through the board, but outside of the pool; restructuring the CWB to make it more accountable and businesslike to reflect more contemporary corporate practices both nationally and internationally; and, allowing farmers to have more control over the CWB's operations.<sup>662</sup> As will be seen, it was the latter four recommendations that became key components of the CWB from the late 1990s onwards.

The pro-single desk farm groups and political parties disliked the proposal to remove the single desk for barley. They argued that such a move would only amount to a

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<sup>660</sup> Western Grain Marketing Panel, *Report*, 92.

<sup>661</sup> Arbitrage is that act of taking advantage of different prices in different markets for the same product. The CWB earns price premiums by selling differentiated grain based on quality to buyers who are willing to buy that specific product at higher price levels than other customers would be willing to pay.

<sup>662</sup> Western Grain Marketing Panel, *Report*, 99-101. Dale Eisler, "Goodale Report Provokes Diverse Reactions," *Star Phoenix*, July 10, 1996, accessed April 28, 2012, <http://search.proquest.com>; Dan Zakreski, "Farmers' Fears Addressed," *Star Phoenix*, July 10, 1996, accessed April 28, 2012, <http://search.proquest.com>.

slippery slope, en route to the end of the single desk altogether. A group of 11 farm groups and rural associations banded together to express a unified voice in one submission. Their submission stated that they would only support the recommendations that contributed to strengthening the orderly marketing mandate of the CWB, and that major changes to the single desk should only be considered after consulting with farmers.<sup>663</sup> The CWB expressed concern about the ability to distinguish between the grains to be under the single desk and those outside of it, and the challenges of managing an ‘in house dual market.’<sup>664</sup> By contrast, the anti-single desk organizations argued that the recommendations did not go far enough. Some analysts declared that the WGMP had set the stage for a vote among prairie farmers.<sup>665</sup> However, Goodale was initially hesitant about the plebiscite idea, and requested feedback from farm groups before the end of August.

#### **6.4.6. Federal Liberal Plebiscite**

In early October 1996, Goodale finally came forth with his official response to the WGMP report and the feedback submitted by various organizations. After declaring his unequivocal support for the CWB’s single desk for wheat, Goodale declared that the federal government would hold a plebiscite to decide the future of the single desk for

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<sup>663</sup> The organizations included the CFA, NFU, SWP, SARM, KAP, WRAP, MPE, CWB Advisory Committee, Alberta Soft Wheat Producers Commission, Canadian Turkey Marketing Agency, and the Dairy Farmers of Canada. “Farm Groups Come Out In Favour of Wheat Board,” *Canadian Press*, August 23, 1996, accessed May 1, 2012, <http://search.proquest.com>.

<sup>664</sup> Jim Knisley, “CWB Fears Implications of Dual Markets,” *Leader Post*, July 11, 1996, accessed April 28, 2012, <http://search.proquest.com>.

<sup>665</sup> Kevin Hursh, “Time For Vote In Wheat Board Debate,” *Star Phoenix*, July 10, 1996, accessed April 28, 2012, <http://search.proquest.com>.

barley, and that he would be introducing changes to the CWB's governance structure and financial operations.<sup>666</sup> Goodale stated that he would aim to transfer the governance of the CWB to farmers by 1998, and that the CWB would shift from being a crown corporation to a mixed enterprise. Moreover, the CWB would gain more flexibility in its finances, while maintaining the federal government guarantee for its annual initial payment to farmers, credit sales, and operational borrowings. These changes are discussed in the next section. The anti-CWB groups responded by stating that Goodale had let them down. The Alberta government and anti-single desk farm groups rejected Goodale's plan and vowed to continue on with their legal actions against the CWB.<sup>667</sup> The pro-single desk groups also felt that Goodale had let them down by not supporting the CWB's single desk strongly enough.

In mid-October Goodale announced that the plebiscite would give farmers an all or nothing choice between the CWB's single desk and the open market, and that the vote would take place from January to March 1997.<sup>668</sup> This decision ensured that the plebiscite would be controversial from the start. Goodale defended the two-question ballot by stating that the CWB would cease to be the entity it is now without its single desk, and to imply otherwise would only be misleading farmers.<sup>669</sup> He also stated that if voter turnout was strong, and the result was clear he would be compelled to act. The plan

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<sup>666</sup> "Goodale Announces Barley Vote, Tinkers With Structure of Wheat Board," *Canadian Press*, October 4, 1996, accessed May 1, 2012, <http://search.proquest.com>.

<sup>667</sup> Gordon Jaremko, "Alberta Won't Surrender," *Calgary Herald*, October 5, 1996, accessed May 1, 2012, <http://search.proquest.com>.

<sup>668</sup> "Barley Vote Ballot Divisive and Confrontational: Critics," *Canadian Press*, November 8, 1996, accessed May 1, 2012, <http://search.proquest.com>.

<sup>669</sup> Mel Duvall, "It's All Or Nothing: Goodale Won't Back Dual Marketing System For Barley," *Calgary Herald*, November 26, 1996, accessed May 1, 2012, <http://search.proquest.com>.

came under immediate fire from Paszkowski, who argued that the question was flawed and that Goodale was attempting to foster division.

The issue of whether plebiscites and surveys regarding the CWB's single desk should include the dual market option, was a major point of contention throughout the 1990s and 2000s. Therefore, it is necessary to examine the debate at this juncture. The anti-CWB single desk side always maintained that the dual market option should be included on plebiscites and surveys regarding the CWB. They insisted that the CWB could still exist without the single desk, alleging that if the CWB was as good at marketing as its supporters claimed, and farmers wanted it badly enough, it would survive. However, the underlying political reason for taking this position was because the dual market option would attract votes from those farmers who preferred compromise, in addition to those who truly believed that a dual market was a viable option. By adding up the totals of the farmers who chose the single desk and those who chose the dual market, they could claim that the majority of farmers had voted against the status quo.

On the other hand, the pro-CWB single desk side argued that it was a fallacy to include the dual market option, because it would not be possible for the CWB to remain viable without its single desk. They pointed to the fact that the CWB owned no assets of its own (i.e. inland grain handling facilities both inland and at port). Therefore, it would be dependent on grain companies to procure its grain and get it to export position, which would involve such things as blending and delivering it to port in a timely fashion. This potential situation became even more precarious for the CWB when the wheat pools privatized, as will be discussed, leaving it with very little favour in the grain handling sector. In such a context, it was believed that the grain companies would always make

their own grain their top priority, not to mention the fact that they would seek to make financial gains on any such agreement.<sup>670</sup> Moreover, at the end of the day, the grain companies would certainly rather just supply the CWB's customers themselves, rather than deal with the CWB. Thus, it would be very difficult for the CWB to set up long term contracts with buyers.<sup>671</sup> It should be noted that it was believed that it would be highly unlikely that a voluntary CWB could summon the resources necessary to acquire grain handling and port terminal assets of its own.<sup>672</sup> Moreover, even if somehow it were able to acquire such assets, it would have a great deal of difficulty competing in the international market with the agribusiness TNC such as Cargill and Louis-Dreyfus.

A second reason it was believed that a voluntary CWB would likely fail was because historically, the voluntary pools failed every time they had been attempted in prairie agriculture. The reason was due to the way pools function. The pool price is the average of the prices received at different times of the crop year in different markets (both high prices and low) are averaged in a weighted fashion to generate a pooled price.<sup>673</sup> Therefore, when prices are high, the pooled price will lag behind and farmers will deliver into the cash market. By contrast, when prices are low, the pooled price will be higher, and farmers will prefer to participate in the pool. However, such behavior is not sustainable for the entity operating the pool, because it will inevitably experience constantly unpredictable volumes and will have difficulty remaining viable during the

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<sup>670</sup> Richard Gray, "The Economic Impact of the Canadian Wheat Board," in *Our Board, Our Business*, ed. Terry Pugh and Darrell McLaughlin, (Halifax: Fernwood Publishing, 2007), 65-66.

<sup>671</sup> The situation would be very similar to one where Massey Ferguson were to rely on John Deere dealerships to sell its farm machinery.

<sup>672</sup> Murray Fulton, "The Canadian Wheat Board In An Open Market: The Impact of Removing the Single-Desk Selling Powers," *Adapting To New Environments: Agriculture and Rural Economies in the 21<sup>st</sup> Century a KIS Project*, (November 2006), 15, accessed April 28, 2012, <http://ageconsearch.umn.edu/bitstream/31787/1/fu060001.pdf>.

<sup>673</sup> Fulton: 19.

periods of low volumes. Voluntary contractual pools also eventually fail because farmers will seek to reduce the risk inherent in fixed delivery contracts, by contracting only a portion of their crop. The result is that the amount of grain contracted to the pool is limited. Also, delivery enforcement is almost impossible. For instance in 2003 the Ontario Wheat Producer's Marketing Board (OWPMB) had many farmers claim that their contracted wheat had spoiled when the cash price rose above the contract pool price. The OWPMB did have the resource to carry out the investigations.

Two final reasons were behind the conviction that the failure of a voluntary CWB would be very likely. First, it would be unlikely that farmers would be willing to invest the time and energy required to maintain farmer-ownership of the organization. Second, it would be unlikely that the CWB's employees with the necessary expertise in marketing and grain handling contracts, and transportation logistics, would stay.<sup>674</sup> Other players in the industry would quickly hire away the CWB's most talented employees.

To put it most simply, the single desk *was* the CWB's reason for being. Thus, analysts predicted that if the single desk were removed, the CWB would disappear before long, and an open market would emerge. Therefore, it was argued by the pro-CWB single desk side, that the real choice to be posed to farmers in any plebiscite or survey was whether they prefer the CWB with its single desk, or whether they wanted an open market. Independent studies have backed up this argument.<sup>675</sup> The political reason for preferring to exclude the dual market option was because the pro-CWB side were confident that most farmers did not actually want the CWB to disappear, and if given a

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<sup>674</sup> Fulton: 14.

<sup>675</sup> Fulton, "The Canadian Wheat Board In An Open Market: The Impact of Removing the Single-Desk Selling Powers," *Adapting To New Environments*.

choice between the CWB with its single desk, or no CWB (open market), farmers would always opt for the CWB single desk option.

In January, as Goodale's plebiscite got under way, another controversy emerged, this time regarding the way that the ballots were distributed. The anti-single desk groups expressed their displeasure that ballots were only mailed to CWB permit book holders. Permit books were held by farmers who contract with the agency. However, many prairie barley farmers were not permit book holders, because they produced feed barley for the domestic market. These farmers had to apply to have a ballot sent to them. Moreover, the market choice groups argued that it was not fair that farms that had more than one permit book were mailed more than one ballot. For instance, both the landlord and the farmer-tenant could hold permit books.

Goodale announced the results of the plebiscite on March 26, 1997. Almost 63 percent of the 58,000 farmers who returned ballots, voted in favour of maintaining the CWB's single desk for barley. Voter turnout was 75 percent. The pro-single desk side hailed the victory, and declared that it was time to move on. By contrast, the market choice side declared that the issue was far from over. They pointed out that some 37 percent of the permit book holders voted against the single desk for barley on a ballot that did not include a dual market option. They argued that if all barley farmers had been mailed ballots and the dual market option were included, the number would be much higher.<sup>676</sup> Moreover, they pointed out that the anti-single desk side consisted more than just a small vocal minority, as its opponents had alleged.<sup>677</sup> Several analysts argued that it

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<sup>676</sup> Darcy Henton, "Prairie Farmers Vote To Retain Wheat Board, But Fight For Open Market Far From Over, Opponents Vow," *Toronto Star*, March, 26, 1997, accessed April 28, 2012, <http://search.proquest.com>.

<sup>677</sup> Larry McGuire, "Barley Vote Showed Single-Desk Selling Doomed," *Star Phoenix*, April 11, 1997, accessed April 28, 2012, <http://search.proquest.com>.



was clear that the CWB was losing support among farmers.<sup>678</sup> Goodale responded to the results by stating that a clear majority of farmers had opted for the status quo, and that he would be press ahead with his reform bill.

#### **6.4.7. Liberal CWB Reform Legislation**

In December 1996, Liberal Agriculture Minister Ralph Goodale introduced legislation into Parliament that made amendments to the Canadian Wheat Board Act, which closely followed recommendations made in the WGMP report.<sup>679</sup> The reforms were aimed at making changes to the CWB's governance and providing more flexible pricing arrangements. More flexible pricing arrangements and grain delivery procedures had the attraction of maintaining the status quo, with respect to the single desk, while giving farmers more options. Changes to the CWB's structure of governance were designed to make it both more democratic and more accountable. A new fifteen-member board of directors with five appointed by the federal government and ten elected by farmers, replaced the government appointed five-member body. As a result, significant influence and control over the operations and future of the CWB was placed in the hands of farmers.<sup>680</sup> The other significant change was designed to add a requirement that a farmer plebiscite be held before any future changes to the CWB's single desk could be made. Section 47.1 of the Canadian Wheat Board Act thus added a new element of direct

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<sup>678</sup> Kevin Hursh, "Barley Vote's Over – Lets Move On," *Star Phoenix*, March 26, 1997, accessed April 28, 2012, <http://search.proquest.com>; Dave Eisler, "Vote Shows Farmers Losing Faith In Wheat Board," *Star Phoenix*, April 3, 1997, accessed April 28, 2012, <http://search.proquest.com>.

<sup>679</sup> "Legislation Introduced To Change Wheat Board Operations," *Canadian Press*, December 3, 1996, accessed April 28, 2012, <http://search.proquest.com>.

<sup>680</sup> Skogstad. "The Dynamics of Institutional Transformation: The Case of the Canadian Wheat Board," 543.

democracy and took the onus off of the federal government in any future debate. The new legislation also included a process for adding crops to the CWB's single desk, or removing a crop from the single desk. The former version became known as the 'inclusion clause.' As well, the new legislation included a continuation of the federal government's financial guarantees and funding for initial payments. Finally, the new legislation made room for cash buying and new tools to allow farmers to manage their own risk. After passing the House of Commons on February 17<sup>th</sup> and undergoing scrutiny in the Senate, Bill C-4 was finally passed Parliament and became law on June 8<sup>th</sup>, 1998.<sup>681</sup>

Bill C-4 elicited significant criticism from farm groups on both sides of the CWB debate. First, the so called 'inclusion clause' was derided by the Reform Party and anti-single desk farm groups, who viewed it as a mechanism for the expansion of an organization that farmers were clearly wary of. Second, the NFU opposed the addition of mechanisms that allowed farmers to opt out of the pools, arguing that it ran contrary to fundamental, collective risk management, premises of the organization. Third, both sides of the CWB debate expressed concern about the possibility that the new democratic processes could result in an outcome contrary to their views.<sup>682</sup> Furthermore, the Reform Party questioned whether the elections would just result in politicized directors, not necessarily qualified to run a \$6-billion-per-year corporation. Finally, the WCWGA stated that the new legislation merely created a 'phony democracy,' where farmers would be told that they control their farming operations through the CWB elections, rather than their own marketing choices.

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<sup>681</sup> Kevin Carmichael, "Wheat Board Bill Passes , At Last," *Canadian Press*, June 11, 1998, accessed May 1, 2012, <http://search.proquest.com>.

<sup>682</sup> Kevin Hursh, "In Search of Real Farmers for New CWB," *Star Phoenix*, October 1, 1997, accessed April 30, 2012, <http://search.proquest.com>.

In the fall of 1998, the Liberal government began implementing the new legislation. Analysts were in agreement that the director elections were an important process for prairie farmers, and offered the chance for the CWB to become more responsive to farmers' needs.<sup>683</sup> In September, the federal government outlined the electoral districts and the process for the first ever director elections, which were scheduled to take place that fall. The regulations included limits on campaign spending.<sup>684</sup> The CWB region was divided into 10 districts, 7 of which crossed provincial boundaries. The new board would take control of the CWB in December. Finally, the director elections would use preferential ballots, which would allow farmers to rank the candidates in preferential order.<sup>685</sup> The NFU expressed concern about the fact that the elections would take place during harvest, and the enforcement of campaign spending limits. The WCWGA was concerned about the heavy representation that went to Saskatchewan in the way that the district boundaries were drawn up, considering that the province was generally more in favour of the status quo than Alberta.

During the inaugural director election, two major controversies took place. One controversy concerned who received ballots. While 155,000 were eligible for the vote, some 45,000 of them were not farmers, but rather people who had an 'interest' in a CWB

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<sup>683</sup> Kevin Hursh, "Farmers' Input Vital For Revitalized Wheat Board," *Star Phoenix*, September 16, 1998, accessed May 1, 2012, <http://search.proquest.com>.

<sup>684</sup> In order to participate, candidates had to be 18, obtain 25 signatures of endorsement, submit a \$500 deposit, prior to September 30. Campaign spending was limited to \$15,000 per candidate and third party interveners were limited to \$10,000. The vote would take place via preferential ballot.

Lisa Schmidt, "Ottawa Draws Guidelines For CWB Elections," *Star Phoenix*, September 2, 1998, accessed May 1, 2012, <http://search.proquest.com>.

<sup>685</sup> Murray Lyons, "Preferential Ballots Break New Ground," *Star Phoenix*, October 2, 1998, accessed May 1, 2012, <http://search.proquest.com>.

crop such as a bank or landlord.<sup>686</sup> Also, the names of deceased farmers were also included on the voters' list. Finally, there was criticism due to the fact that there were no ballots issued to the spouses of farmers, in most cases farm wives, who were credited with playing a very significant role in family farm operations.<sup>687</sup> Another controversy took place when the National Citizens Coalition (NCC) declared that it would not abide by the so-called third party intervener spending rules.<sup>688</sup> Third parties were required to officially register with the election's administrator, accounting firm KPMG. Then NCC President Stephen Harper stated that the regulation is a "blanket attempt to suppress freedom of expression on wheat issues." He went on to describe it as a 'gag law' that would not hold up in court. The NCC used billboards and radio spots in its ad campaign. The WCWGA also refused to register with KPMG.

The inaugural CWB vote resulted in a resounding victory for the pro-single desk side. Of the ten director positions that were up for election, eight were won by pro-single desk candidates.<sup>689</sup> Voter turnout was 43 percent, from the 155,000 farmers who received ballots. The new directors took control of the CWB in December.<sup>690</sup>

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<sup>686</sup> "Wheat Board Election Tainted By Political Interference: Critic," *Globe and Mail*, November 20, 1998, accessed May 1, 2012, <http://search.proquest.com>.

<sup>687</sup> Ian McKinnon, "Farmers May Have Had Say In CWB Election, But Criticisms Sprouting Like Weeds," *National Post*, November 25, 1998, accessed May 1, 2012, <http://search.proquest.com>.

<sup>688</sup> James Parker, "NCC Blasts Spending Rule In Wheat Board Election," *Star Phoenix*, October 10, 1998, accessed May 1, 2012, <http://search.proquest.com>.

<sup>689</sup> The pro-single desk directors elect were: Art Macklin of Grand Prairie, Alberta; Larry Hill of Swift Current, Saskatchewan; John Clair of Radisson, Saskatchewan; Ian McCreary of Bladworth, Saskatchewan; Terry Hanson of Fillmore, Saskatchewan; Bill Nicolson of Shoal Lake, Manitoba; and, Bill Harder of Lowe Farm, Manitoba. The remaining two director positions went to pro-market choice candidates James Chatenay from Red Deer, Alberta, and Ken Ritter from Kindersley, Saskatchewan. The federal government appointed were President and CEO Greg Arason, former President of MPE; Betty-Ann Heggie, Senior Vice President of Potash Corporation of Saskatchewan; David Hilton, former Senior Vice President of International Banking for Bank of Nova Scotia; Ross Keith, lawyer and President of Keith Farms in Southern Saskatchewan; and, James Stanford, President of Petro-Canada.

## 6.5. Farmer Controlled CWB Era

### 6.5.1. Policy Advocacy: Grain Handling and Railway Transportation

Under the direction of the farmer-elected directors, the CWB intensified its policy advocacy on behalf of farmers. An area of great importance to farmers where the CWB became very active, concerned grain handling and railway transportation. The CWB's role in the prairie transportation sector was crucial because the region has a small population base, and the land locked prairie farmers face the longest distance to port of any of their competitors. The average distance to port for a prairie farmer is 2,200km, as compared to 266km for an Australian farmer. Moreover, the western Canadian geographic and climactic context poses many unique obstacles and challenges for transportation; no other grain growing region in the world is contained by such ominous natural barriers.<sup>691</sup> To the West is a 400 mile wide Cordillerian Highland known as the Rocky Mountains, to the East is a 600 mile wide belt of Precambrian rock known as the Canadian Shield, and the entire region is subject to severe weather patterns including a short growing season and long, hard winters.<sup>692</sup> Therefore, keeping the cost of transportation as low as possible is crucial to the competitiveness of the prairie grain sector.

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Scott Edmonds, "New Directors Take Over Canadian Wheat Board," *Canadian Press*, December 7, 1998, accessed May 1, 2012, <http://search.proquest.com>.

<sup>690</sup> Scott Edmonds, "New Directors Take Over Canadian Wheat Board," *Canadian Press*, December 7, 1998, accessed May 1, 2012, <http://search.proquest.com>.

<sup>691</sup> For instance, the growing regions of both Australia and Argentina are adjoined to tide water.

<sup>692</sup> Willard Z. Estey, *Grain Handling and Transportation Review*, (Ottawa: Transport Canada, December 21, 1998), 7, accessed on May 4, 2012, [http://www.tc.gc.ca/eng/policy/report-acg-esteygrainii-phase\\_ii\\_final\\_report-227.htm](http://www.tc.gc.ca/eng/policy/report-acg-esteygrainii-phase_ii_final_report-227.htm).

Complicating matters still further is the fact that the transportation options available to the prairie farmer are minimal. Prairie farmers have no other option than by rail, and they are a captive market for the two railways. Given the proximity of most farmers to one railway or the other, each railway is essentially in a monopoly position vis-à-vis farmers. By contrast, the US Great Plains farmer has the Mississippi River and West Coast Barge systems, which are significant alternatives. Therefore, transportation is the single biggest cost that prairie farmers face.<sup>693</sup> The annual bill for grain handling and rail transportation was over \$2 billion in 2000. Plus, the ocean freight bill was at least as much as railway freight bill. The CWB gave farmers real leverage vis-à-vis the powerful railways.

The CWB's role in the grain transportation logistics stemmed from the regulatory control granted to it in the Canadian Wheat Board Act.<sup>694</sup> Regulatory control of the movement of grain from farm to port, gave the CWB considerable leverage vis-à-vis the railways on behalf of the farmer.<sup>695</sup> The CWB played four key roles in the prairie grain handling and transportation arena.<sup>696</sup> First, it provided fair car allocation between commercial and producer cars, among commercial shippers, to terminals, and geographically to optimize movement by grain type and grade. Second, the CWB organized shipping so the transportation system was not overloaded, which managed port

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<sup>693</sup> Ian McCreary, "Grain Transportation and the Canadian Wheat Board," in *Our Board, Our Business: Why Farmers Support the Canadian Wheat Board*, ed. Terry Pugh and Darrell McLaughlin, (Halifax, Fernwood Publishing, 2007), 74.

<sup>694</sup> *Canadian Wheat Board Act*, Revised Statutes of Canada 1985. c.C-24, accessed on May 5, 2012, <http://laws-lois.justice.gc.ca/eng/acts/C-24/index.html>.

<sup>695</sup> The CWB's dominant role in the transportation of grain to export points was wielded through its powers of "calling grain from the farmers, developing delivery schedules, controlling rail car allocation, and otherwise influencing rail operating practices." Ibid: 30.

<sup>696</sup> *Grain Transportation Symposium*, University of Saskatchewan, and Agricultural Producers Association of Saskatchewan, Saskatoon, August 23, 2011), 3-4, accessed on May 18, 2012, <http://apas.ca/dbdocs//4f564bc6d2301.pdf>.

capacity and avoided congestion, provided fair access to farmers across the prairies, and provided equitable access to the system for non-Board grains. Third, it provided direct insight into the relationship between sales and logistics. Finally, the CWB managed information and logistics to rebalance schedules when service disruptions occurred.

As a result, the CWB was able to effectively hold the railways to account over level of service and freight rate issues. In the late 1990s and 2000s the CWB was active on issues concerning freight rates, level of service, timeliness of transport, and freight rates.<sup>697</sup> The CWB was effective in these endeavours because of the resources required to make the applications, and the massive amount of information that it could deploy for consultation and regulatory body, hearings and submissions. Two of the CWB's biggest successes on behalf of farmers, included securing financial and service settlements with both railways concerning a major service issued that had occurred in the winter of 1996-97<sup>698</sup>, and financial penalties to both railways for overcharging farmers to ship their grain in the late 2000s.<sup>699</sup> The details of these events are beyond the scope of this study.

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<sup>697</sup> Ibid., 75.

<sup>698</sup> Martin O'Hanlon, "CN Rail Settles Grain Transportation Complaint," *Canadian Press*, April 17, 1998, <http://search.proquest.com> (accessed May 1, 2012); The CWB sought \$25 million for direct market losses and another \$20 million for loss of business and reputation; Scott Edmonds, "Wheat Board, CPR Settle Grain Lawsuit," *Canadian Press*, March 8, 1999, accessed May 2, 2012, <http://search.proquest.com>.

<sup>699</sup> Larry Kusch, "Railways Mulling Appeals Of Penalties," *Winnipeg Free Press*, January 2, 2009, accessed May 18, 2012, <http://search.proquest.com>; Margaret Cappa, "Farmers Seek Review Of Grain Transportation Costs," *Globe and Mail*, January 2, 2010, accessed May 18, 2012, <http://search.proquest.com>.

### **6.5.2. Policy Advocacy: GM Wheat**

Another area of significant importance where the CWB became active, concerned Genetically Modified (GM) wheat. In 1999 Monsanto was in the process of developing GM wheat. The CWB quickly stated that it would not market GM grain until it could be proven that there was a viable market, and a system was developed to properly segregate them.<sup>700</sup> The CWB expressed concern that GM wheat could destroy Canada's export markets, given that its customers had signaled that they did not want it. The CWB told the House of Commons agriculture committee that if it had to sell GM wheat, it would inevitably be outflanked by sellers who could guarantee they had no GM content. Moreover, the CWB predicted that although it probably could find a market for GM wheat, it would not be high priced markets such as Japan. Therefore, farmers would lose their price premiums. In addition, new requirements such as mandatory labeling would be very costly for farmers. Thus the CWB warned the committee, that farmers would ultimately be saddled with most of the costs for segregation systems for GM wheat.<sup>701</sup> The CWB argued that a moratorium on GM grains may be required, if their development threatened Canada's grain markets. The CWB let it be known that it was not opposed to GM crops in principle, and that its position was anchored entirely on whether there were customers for the product.

In mid 2002 the CWB released a study on GM wheat. While the study includes potential benefits, including reducing farmers' costs, increased yields, and simplified

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<sup>700</sup> Stuart Laidlaw, "Modified Grains Spark Warning," *Toronto Star*, October 30, 1999, accessed May 2, 2012, <http://search.proquest.com>.

<sup>701</sup> Murray Lyons, "CWB Outlines Challenges In Marketing GM Wheat," *Star Phoenix*, November 6, 2001, accessed May 4, 2012, <http://search.proquest.com>.



weed control, it pointed to the danger of the contamination of conventional wheat.<sup>702</sup> Most existing CWB customers had clearly indicated that they did not want to purchase GM wheat, which meant that effective segregation would be crucial. The report recommended that GM wheat not be introduced until an effective segregation system could be established, and until there was a net sales benefit to farmers. The June, the CWB submitted another report that it had commissioned on GM wheat, to the CFIA. The report brought the possibility of negative environmental consequences into the CWB's argument against GM wheat.<sup>703</sup> Until that point the CWB had focused almost exclusively on the economic aspect. That same month, the CWB upped the ante by threatening that it would carry out a legal action if federal approvals were granted to Monsanto.<sup>704</sup>

The GM wheat issue finally came to an end in 2004. In January the federal government abandoned a joint project with Monsanto for the development of GM wheat,

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<sup>702</sup> "Canadian Wheat Board Study Raises Questions About Genetically Modified Wheat," *Canadian Press*, July 9, 2002, accessed May 4, 2012, <http://search.proquest.com>; *A Discussion Paper on Agronomic Assessment of Roundup Ready Wheat*, Canadian Wheat Board, Winnipeg, 2002, accessed on May 5, 2012, <http://stopogm.net/sites/stopogm.net/files/AgronomicWheat.pdf>.

<sup>703</sup> The report concluded that the unconfined release of Roundup Ready wheat will negatively affect the environment and limit farmers' ability to conserve natural resources on farms in western Canada. The effect that this novel product will have is unique because of the nature of the trait involved and its relationship to the way in which crops are farmed in western Canada. Under the current conditions the release of Roundup Ready wheat in Western Canada would be environmentally unsafe.

R.C. Van Acker, A.L. Brule-Babel, and L.F. Friesen, *An Environmental Assessment of Roundup Ready Wheat: Risks for Direct Seeding Systems in Western Canada*, (Winnipeg: Canadian Wheat Board, June 2003), 2, accessed on May 5, 2012 <http://stopogm.net/sites/stopogm.net/files/rrwheat.pdf>.

<sup>704</sup> "Wheat Board Mulls Legal Action," *Globe and Mail*, June 19, 2003, accessed May 5, 2012, <http://search.proquest.com>.

over doubts about whether the product would sell.<sup>705</sup> Then in May, Monsanto announced that it was suspending plans to introduce GM wheat.<sup>706</sup>

### ***6.5.3. New Marketing Options Introduced***

Soon after the new farmer elected directors took control of the CWB in December 1998, they began to introduce initiatives designed to make the CWB more responsive to farmers' demands. First, they began introducing Producer Payment Options (PPOs), which were programs designed to give farmers more options in marketing through the CWB. The new programs were intended to mimic the open market, by giving farmers the flexibility to price their grain outside of the main pool accounts. The first two PPOs were introduced in early March 2000. The Fixed Price Contract (FPC) option allowed farmers to take a particular price at a certain point in time, for a specified quantity of their red spring wheat, based on the current CWB Pool Return Outlook (PRO).<sup>707</sup> Farmers who chose to take this option either required immediate full payment for their grain or bet that the pool price at that particular point in time would be higher than the final pool price. The Basis Price Contract (BPC) option allowed farmers to separately price the

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<sup>705</sup> Dennis Bueckert, "AgCan Ends Testing of GE Wheat Developed with Monsanto," *Canadian Press*, January 9, 2004, accessed May 6, 2012, <http://search.proquest.com>.

<sup>706</sup> Carey Gillam, "Monsanto Shelves Plans for GM Wheat," *National Post*, May 11, 2004, accessed May 7, 2012, <http://search.proquest.com>.

<sup>707</sup> The PRO is the projection of how much money the CWB will end up returning to farmers who deliver wheat, durum, or barley for payment through the pool accounts. The PROs were issued on the fourth Tuesday of every month. *What is the PRO*, Canadian Wheat Board, accessed October 1, 2011, <http://www.cwb.ca/public/en/farmers/outlooks/what/>.

basis and futures on their milling wheat.<sup>708</sup> Farmers who participated in this program hoped to obtain a price higher than the pool price, while accepting more risk.

The CWB introduced more PPOs in 2005. The Daily Price Contract (DPC) was designed to allow farmers to link the price they get for their grain, to a US-based daily cash price.<sup>709</sup> The move marked the first time that farmers were able to access a daily price since 1943. The Early Payment Option (EPO) allowed farmers to receive full payment for their grain soon after delivery. Under the EPO farmers received their initial payment upon delivery, and their final payment within 10 business days. Their payments were based on the current PRO, and if the final pool price ended up being higher than their EPO price, they received a payment for the difference. In effect, the EPO served to establish a guaranteed floor price. Farmers who participated in the EPO wanted immediate cash flow. The CWB also introduced a delivery pilot program called the Delivery Exchange Contract (DEC), which allowed farmers in Southern Saskatchewan to trade delivery periods among themselves.<sup>710</sup> The CWB was attempting to respond to the desire among many farmers to have more control over the timing of crop deliveries, which was also a reason some were dual market supporters. The design and implementation of new PPOs became a major regular activity of the CWB in the 2000s.

The CWB's directors promoted the PPO programs by stating that they essentially gave

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<sup>708</sup> The BPC allowed farmers to 'lock in' a basis or futures price against the Chicago, Kansas, or Minneapolis futures market, and lock in the actual futures or basis price at a later date. The futures or basis price locked in a later date could be either higher or lower than the initial futures or basis price locked in by the farmer, which would be added or subtracted from the initial price that the farmer locked in.

Lisa Schmidt, "New CWB Contract Gets Mixed Reaction," *Star Phoenix*, March 7, 2000, accessed May 3, 2012, <http://search.proquest.com>; *Basis Price Contracts*, Canadian Wheat Board, accessed on October 1, 2011, <http://www.cwb.ca/public/en/farmers/producer/1112bpc/>.

<sup>709</sup> Angela Hall, "New Option Like Open Market," *Leader Post*, February 16, 2005, accessed May 10, 2012, <http://search.proquest.com>.

<sup>710</sup> "Wheat Board Unveils New Delivery Plan," *Winnipeg Free Press*, June 20, 2006, accessed May 14, 2012, <http://search.proquest.com>.

farmers the functions of an open market. The WCWGA stated that the move was a step in the right direction, but still not market choice.

#### **6.5.4. New Alberta Anti-Single Desk Campaign**

The Alberta government also launched a new campaign against the CWB. It began when Calgary MLA, Mark Hlady introduced a private members bill into the Alberta Legislature in December.<sup>711</sup> Bill 207, the Alberta Wheat and Barley Test Market Act, was passed in the Alberta legislature on December 4<sup>th</sup> and came into force on January 1, 2003.<sup>712</sup> The bill asked the Alberta Agriculture Minister to attempt to enter an agreement with the CWB or federal minister responsible for the CWB, to have Alberta establish an open market on a ten-year test basis for wheat and barley. The Alberta government declared that if Ottawa refused Alberta's request for a test market, it would aggressively consider 'all options' to help Alberta farmers finally market their own wheat and barley.<sup>713</sup> In November the Alberta government prepared legislation intended to allow farmers to have market choice.<sup>714</sup> Although the government did not have the authority to actually make the change, the bill was intended as a symbolic political act. The legislation was seen as a way for the PCs to give a nod to their rural base in the lead

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<sup>711</sup> Kelly Cryderman, "Alberta Eager To Open Up Grain Sales," *Calgary Herald*, December 4, 2002, accessed May 5, 2012, <http://search.proquest.com>.

<sup>712</sup> *Alberta Wheat and Barley Test Market Act*, Statutes of Alberta, 2002, Chapter A-37.5, Current as of January 1, 2003, Province of Alberta, Alberta Queen's Printer, accessed on May 5, 2012, <http://www.qp.alberta.ca/documents/Acts/A37P5.pdf>.

<sup>713</sup> Michelle Lang, "Alberta Eyes All Avenues In CWB Fight," *Calgary Herald*, February 14, 2003, accessed May 5, 2012, <http://search.proquest.com>.

<sup>714</sup> Tom Olsen, "Wheat Sales A Growing Election Issue," *Calgary Herald*, November 9, 2003, accessed May 6, 2012, <http://search.proquest.com>.

up to the election the following year. The WBGA, indeed, alleged that the whole purpose of the bill was to generate a precedent-setting legal showdown.

In late April 2004, the Alberta government's campaign against the CWB reached a new level of intensity. The CWB lashed out at the Alberta government, accusing it of spending up to \$1 million on a glitzy advertising campaign called 'Choice Matters' designed to discredit the CWB.<sup>715</sup> The CWB contended that if the Alberta government's bill passed, it would impact the CWB's effectiveness and harm farmers in other provinces. The CWB vowed to respond with a campaign of its own. The CWB reconfigured its website to counter the website launched by the Alberta government.<sup>716</sup> In May 2004, the CWB directors met with Alberta Premier Ralph Klein to request that he stop the passage of the bill.<sup>717</sup> The bill ultimately died when it did not pass the legislature before the summer break and a provincial election was held in the fall.

#### **6.5.6. US Trade Challenges**

The CWB also faced a relentless attack from the US during the Liberal era. US farm groups (the North Dakota Wheat Commission, and the US National Wheat Growers Association) and politicians representing northern US states accused the CWB of undercutting US farmers in both the US and international markets, by dumping wheat and

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<sup>715</sup> John Cotter, "Wheat Board Lashes Out At Alberta Government Over Grain Marketing Bill," *Canadian Press*, April 27, 2004, accessed May 5, 2012 <http://search.proquest.com>. In late 2006 the Alberta NDP uncovered documents that showed the Alberta government had spent \$1 million on the Choice Matters campaign against the CWB. "Documents Show Alberta Spent \$1 Million To Undermine CWB," *Canadian Press*, October 12, 2006, accessed May 14, 2012, <http://search.proquest.com>.

<sup>716</sup> The government of Alberta's "Choice Matters" website no longer exists. Its URL web address was [www.choicematters.gov.ab.ca](http://www.choicematters.gov.ab.ca).

<sup>717</sup> Gina Teel, "Wheat Board Targets Klein In Attempt To Kill Bill 206," *Calgary Herald*, May 12, 2004, accessed May 7, 2012, <http://search.proquest.com>.

durum below market prices. In total the US launched 14 different investigations and challenges against the CWB in the 1990s and 2000s. The US attacks gave the CWB's domestic opponents ammunition for their accusations that the CWB was an impediment to the Canada-US grain trade. Indeed, the ultimate effect of the attacks was that they served to keep the CWB on the defensive, as it was simultaneously attacked in the domestic sphere.

The most significant of the US attacks against the CWB began in 2002. At the time, the CWB was exporting about 1.6 million tonnes of wheat and durum into the US each year, from its wheat export total of 18-20 million tonnes. In April, the US Trade Representative's Chief Agriculture negotiator, Allen Johnson, announced that the US government would carry out a four-pronged strategy aimed at permanently reforming the CWB, in order to eliminate its trade advantages.<sup>718</sup> The four-pronged strategy included: 1) file antidumping and countervailing petitions with the US International Trade Commission and the US Department of Commerce; 2) launch a dispute settlement case against the CWB at the WTO; 3) continue the pursuit of comprehensive and immediate reform to state trading enterprises (STE) in WTO negotiations; and, 4) identify the specific impediments to US wheat entering Canada, and present the findings to the Canadian government. The first three prongs of this strategy were carried out over the following three year period, and caused considerable difficulties for the CWB and for western Canadian farmers, as discussed below.

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<sup>718</sup> "USTR Chief Ag Negotiator Tells Senate the Administration Will Aggressively Pursue Reform of Canadian Wheat Board," *News Release*, Office of the United States Trade Representative, April 19, 2002, accessed on May 7, 2012, [http://www.ustr.gov/archive/Document\\_Library/Press\\_Releases/2002/April/USTR\\_Chief\\_Ag\\_Negotiator\\_Tells\\_Senate\\_the\\_Administration\\_Will\\_Aggressively\\_Pursue\\_Reform\\_of\\_Canadian\\_Wheat\\_Board.html](http://www.ustr.gov/archive/Document_Library/Press_Releases/2002/April/USTR_Chief_Ag_Negotiator_Tells_Senate_the_Administration_Will_Aggressively_Pursue_Reform_of_Canadian_Wheat_Board.html).

On September 2002 the North Dakota Wheat Commission filed petitions with the US International Trade Commission and the US Department of Commerce, for tariffs on Canadian wheat imports into the US. The US Department of Commerce was the same body that had imposed devastating 27 percent duties on Canada's softwood lumber industry.<sup>719</sup> After both bodies introduced preliminary duties (8.15 percent on durum and 6.12 percent on hard red spring wheat) in the spring of 2003<sup>720</sup>, they reached contradictory final decisions that fall. On August 29<sup>th</sup>, the US Commerce Department ruled that Canada did in fact subsidize its hard red spring wheat, and dumped it in the US.<sup>721</sup> It recommended duties of 14-16 percent.<sup>722</sup> Just over a month later the US International Trade Commission ruled 4-0 that there was no trade injury caused by durum imports, but voted 2-2 that there had been injury due to spring wheat imports.<sup>723</sup> The voting tie on spring wheat meant that the 14 percent tariff on that commodity became permanent. The tariff added \$30 per tonne to the Canadian price in the US. Canadian officials and groups were baffled by the conflicting decisions.

On November 5<sup>th</sup>, the CWB, the federal government, and the governments of Saskatchewan and Alberta joined in filing an appeal to a NAFTA panel, against the

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<sup>719</sup> Michelle Lang, "US Wheat Tariff Eyed: 'A Cause For Concern': CWB," *Leader Post*, September 17, 2002, accessed May 4, 2012, <http://search.proquest.com>.

<sup>720</sup> Scott Edmonds, "US Duties On Canadian Grain Imports Amount To Harassment, Says Canada," *Canadian Press*, March 4, 2003, accessed May 5, 2012, <http://search.proquest.com>; Sandra Cordon, "New US Tariffs On Canadian Wheat Exports 'Harassment,' Says Goodale," *Canadian Press*, May 2, 2003, accessed May 5, 2012, <http://search.proquest.com>.

<sup>721</sup> The US Commerce Department charged that Canadian farmers were receiving subsidies in the form of discounted access to government owned rail cars, and that the CWB was able to charge lower interest on its loans to farmers because the Canadian government served as guarantor.

<sup>722</sup> Dirk Meissner, "Canada Loses Trade Ruling On Durum and Hard Red Spring Wheat," *Canadian Press*, August 29, 2003, accessed May 6, 2012, <http://search.proquest.com>.

<sup>723</sup> Angela Hall, "Canadian Officials Baffled By Wheat Tariff Decision," *Leader Post*, October 4, 2003, accessed May 6, 2012, <http://search.proquest.com>.

ruling by the US International Trade Commission.<sup>724</sup> They aimed to have the tariff eliminated. In June 2005, the NAFTA panel ruled that the US Trade Commission had failed to demonstrate how Canadian wheat imports were harming the US agriculture sector. Later that year the US Trade Commission reversed its 2003 decision, and ruled that Canadian hard red spring wheat exports did not hurt the US industry.<sup>725</sup> After the NAFTA panel turned down the North Dakota Wheat Commission's (NDWC) attempt to appeal its decision, the US finally removed its tariff on Canadian wheat in December 2005.<sup>726</sup> In March 2006, the US finally dropped its tariff against Canadian wheat imports, in the wake of a NAFTA decision in late 2005.<sup>727</sup> The US market had all but been closed to Canadian wheat since 2003. In late October 2008, the US Court of International Trade ordered the US Department of Commerce to return duties (14 percent) applied on Canadian wheat imports between 2003-06.<sup>728</sup> The CWB hailed the decision as precedent setting. However, almost five years had passed, and Canadian wheat sales had been lost during this time.

The US followed through with the second prong of its strategy when it filed a case with the WTO, over the CWB's alleged unfair trading practices.<sup>729</sup> The complaint

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<sup>724</sup> "Trio Fights US Wheat Ruling," *Leader Post*, November 5, 2003, accessed May 6, 2012, <http://search.proquest.com>.

<sup>725</sup> "US Reverses Wheat Ruling," *Globe and Mail*, October 6, 2005, accessed May 11, 2012, <http://search.proquest.com>.

<sup>726</sup> "Decision Removes Wheat Tariffs," *Leader Post*, December 13, 2005, accessed May 12, 2012, <http://search.proquest.com>.

<sup>727</sup> Angela Hall, "US Drops Wheat Tariff," *Leader Post*, March 2, 2006, accessed May 13, 2012, <http://search.proquest.com>.

<sup>728</sup> "Wheat Board Wins Trade Ruling," *Calgary Herald*, October 31, 2008, accessed May 16, 2012, <http://search.proquest.com>.

<sup>729</sup> "United States Files WTO Case On Monopolistic Canadian Wheat Board," *News Release*, Office of the United States Trade Representative, December 17, 2002, accessed May 6, 2012, [http://www.ustr.gov/archive/Document\\_Library/Press\\_Releases/2002/December/United\\_States\\_File](http://www.ustr.gov/archive/Document_Library/Press_Releases/2002/December/United_States_File)



also challenged the alleged unfair and burdensome requirements to segregate imported grain in the Canadian grain handling system, and the alleged discriminatory policy that hampers US grain access to Canada's rail transportation system. The complaint stated that Canada's policies are designed to make it difficult for US farmers to sell their wheat in Canada, due to discriminatory rail transportation rules. After meeting with Canadian officials in January 2003 – the fourth prong of the US strategy - and receiving no promise of changes to the Canadian wheat trading system, the US requested the formation of a WTO dispute resolution panel in March.<sup>730</sup> In April 2004, the WTO panel dismissed US allegations that the CWB was an unfair trader, based on its finding that Canada does not illegally subsidize exports.<sup>731</sup> The WTO appeals body ruled against a US appeal of the decision, later that year.<sup>732</sup>

The US carried out the third prong of its strategy at WTO negotiations in early summer 2004. During the negotiations, the US was joined by the European Union and Australia in arguing that state-trading enterprises (STE) (e.g. the CWB) should be

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[s WTO Case on Monopolistic Canadian Wheat Board.html](#); Angela Hall, "Canada Wins Wheat Export Ruling," *Calgary Herald*, February 11, 2004, accessed on May 5, 2012, <http://search.proquest.com>.

<sup>730</sup> "United States Requests WTO Panel in Dispute on Canadian Wheat Board," *News Release*, Office of the United States Trade Representative, March 6, 2003, accessed on May 5, 2012 [http://www.ustr.gov/archive/Document\\_Library/Press\\_Releases/2003/March/United\\_States\\_Requests\\_WTO\\_Panel\\_in\\_Dispute\\_on\\_Canadian\\_Wheat\\_Board.html](http://www.ustr.gov/archive/Document_Library/Press_Releases/2003/March/United_States_Requests_WTO_Panel_in_Dispute_on_Canadian_Wheat_Board.html); *Canada – Measures Relating to Exports of Wheat and Treatment of Imported Grain, Dispute Settlement*, WT/DS276/AB/R, adopted September 27, 2004, accessed on May 6, 2012, [http://www.wto.org/english/tratop\\_e/dispu\\_e/cases\\_e/ds276\\_e.htm](http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds276_e.htm).

<sup>731</sup> "US Wins Key Issues in WTO Wheat Dispute with Canada," *News Release*, Office of the United States Trade Representative, April 6, 2004, accessed on May 5, 2012, [http://www.ustr.gov/archive/Document\\_Library/Press\\_Releases/2004/April/US\\_Wins\\_Key\\_Issues\\_in\\_WTO\\_Wheat\\_Dispute\\_With\\_Canada.html](http://www.ustr.gov/archive/Document_Library/Press_Releases/2004/April/US_Wins_Key_Issues_in_WTO_Wheat_Dispute_With_Canada.html); "Canadian Wheat Board Claims Trade Victory," *Ottawa Business Journal*, February 11, 2004, accessed on May 6, 2012, <http://www.obj.ca/Other/Archives/2004-02-11/article-2129163/Canadian-Wheat-Board-claims-trade-victory/1>.

<sup>732</sup> Steve Lambert, "WTO Upholds Ruling That CWB Doesn't Violate World Trade Laws," *Canadian Press*, August 30, 2004, accessed May 7, 2012, <http://search.proquest.com>.

disallowed under the new WTO rules.<sup>733</sup> In response to rumours that the CWB was on the chopping block, Trade Minister, Jim Peterson, made a contradictory declaration that Ottawa would not scrap the CWB at WTO talks, but was prepared to make changes to the CWB if certain practices were deemed noncompliant under a new agreement.<sup>734</sup> Section 18 of the WTO draft agreement, targeted state trading enterprises as being considered ‘trade distorting practices.’<sup>735</sup> The CWB warned Ottawa that it should be ready to compensate western farmers to the tune of hundreds of millions of dollars, if a WTO agreement was struck that made it illegal.<sup>736</sup> At the conclusion of the Hong Kong talks in December, Ottawa claimed victory in protecting both the CWB and supply management.<sup>737</sup> The next year, in July 2006 WTO talks were officially suspended after delegates could not bridge differences regarding farm subsidies.<sup>738</sup>

## 6.6. Conclusion

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<sup>733</sup> Bernard Simon, “Wheat Board Head Accuses Three Countries of Ganging Up On Agency,” *National Post*, August 6, 2004, accessed May 7, 2012, <http://search.proquest.com>.

<sup>734</sup> “Changes Possible At Wheat Board: Minister,” *Globe and Mail*, July 7, 2004, accessed May 7, 2012, <http://search.proquest.com>.

<sup>735</sup> Margret Kopala, “Wheat Board A Victim Of Its Success,” *Calgary Herald*, July 20, 2004, accessed May 7, 2012, <http://search.proquest.com>.

<sup>736</sup> The text read: Trade distorting practices with respect to exporting STEs (state trading enterprises) including eliminating export subsidies provided to or by them, government financing and the underwriting of losses. The issue of future use of monopoly powers will be subject to further negotiations.”

Kevin Hursh, “Wheat Board Will Be Hurt By WTO Result,” *Star Phoenix*, August 4, 2012, accessed May 7, 2012, <http://search.proquest.com>; Michelle MacAfee, “Wheat Board Seeks Compensation From Ottawa If Trade Deal Approved,” *Canadian Press*, August 4, 2004, accessed May 7, 2012, <http://search.proquest.com>.

<sup>737</sup> Peter Morton, “Canadians Welcome Tentative WTO Pact,” *National Post*, December 19, 2005, accessed May 12, 2012, <http://search.proquest.com>.

<sup>738</sup> Larry Kusch, “Impact of Failed WTO Talks Hard To Read,” *Winnipeg Free Press*, July 26, 2006, accessed May 14, 2012, <http://search.proquest.com>.

Several important changes took place in the 1980s and 1990s that served to undermine the stability of the CWB. Policy changes that began with the end of the Crow Rate and continued with the establishment of the CUSTA, the removal of oats from the single desk, and the termination of the WGTA, caused the disintegration of several of the CWB's allies within the prairie farm policy community. The Crow Rate debate led to the demise of Unifarm, while the end of the WGTA resulted in the privatization of the wheat pools and the implosion of the SFA and MFB. In an effort to make the CWB more responsive to farmers and place its future in their hands, an elected board consisting of farmers was put in control of the organization in 1998. Under the new direction the CWB began to offer more pricing options and began to become much more active in prairie farm policy debates concerning grain handling, railway transportation, and GMO wheat. In the early 2000s the CWB also endured continued attacks by neoliberal farm groups and the Alberta government, and trade challenges by the US. Despite the intense political turbulence, the CWB remained intact in the middle of the decade. However, as the next chapter will demonstrate, the election of the Harper Conservative government reignited the political battle over the CWB's future.

## Chapter 7

### Canadian Wheat Board, 2006-2012

#### 7.1. Introduction

The debate over the future of the CWB was reignited when the Conservative Party of Canada (CPC) won a minority government in the 2006 federal election. Although never a centerpiece of its platform, ending the CWB's single desk was nevertheless one of the Conservatives' election promises. For the first time ever, a party firmly committed to terminating the single desk had come to power in Ottawa. Importantly, the Harper Conservatives had won every rural riding with a significant level of farming activity, in the prairie region. Clearly many pro-single desk farmers in Manitoba and Saskatchewan had voted for the Conservatives. After the election, the Western Canadian Wheat Growers Association (WCWGA) announced that it would be holding the Conservative government to account, regarding its promise to give farmers marketing choice.<sup>739</sup>

From the beginning the Harper government's approach was considered to be heavy-handed, and undemocratic, by many in the prairie farm community. Their approach was to operate on the assumption that they had been granted a clear mandate from prairie farmers, to bring 'market choice.' They did not recognize the view held by the pro-single desk side and enshrined in Section 47.1 of the CWB Act, that a farmer plebiscite would have to be held before any changes to the CWB's marketing mandate were made. The Harper government immediately excluded all of the pro-single desk

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<sup>739</sup> David Finlayson, "CWB Monopoly Challenged," *Leader Post*, February 6, 2006, accessed May 13, 2012, <http://search.proquest.com>.

groups from the policy process, choosing instead to consult anti-single desk interests, farm groups or business groups alike. Although the new government did not succeed in meeting its objective due to its minority status in Parliament, as time wore on the policy community began to tilt against the CWB. By 2008 the CWB faced a situation where the general provincial farm groups had withdrawn from the debate, the provincial government of Saskatchewan had been taken over by an anti-single desk party, and the corporate successors of the CWB's once staunchest allies, the wheat pools, were calling for the end of the single desk. By the time the Harper government had won its long coveted majority government in May, 2011, the path was relatively clear for it to move forth with its objective. The Harper government stifled debate at every turn, and pushed the legislation to end the single desk through Parliament as quickly as it could. By mid-December 2011, the legislation to end the CWB's single desk on August 1<sup>st</sup> 2012, had been passed. A 68 year long era had come to a close, and the cooperative/collectivist tradition had all but disappeared from the prairie landscape.

## **7.2. CWB Policy Network: Pro-Single Desk Groups Excluded**

### ***7.2.1. Implementing Marketing Choice Meeting***

The new government signaled its new approach to the CWB issue in the summer of 2006, when it held a round table meeting in Saskatoon. The meeting included representatives of business organizations such as the Saskatchewan Chamber of Commerce, farm groups representing CWB commodities such as the WCWGA and the WBGA, and farm groups representing non-CWB commodities such as the Canadian

Canola Growers Association. Officials from the Alberta and federal governments were also invited.<sup>740</sup> The provincial general farm groups (KAP, APAS, SARM) also received invitations, but well after the anti-single desk organizations had been invited. The CWB's farmer-elected board of directors, the CFA, the NFU, and the NDP governments of Manitoba and Saskatchewan did not receive invitations. It was clear that the anti-single desk interests – farm and non-farm organizations alike – were being brought into the center of the decision making process, while the pro-single desk side was being shut out. This contrasted sharply with the broad consultation process that the Liberals had employed.

Another change in the process involved the fact that the federal government had already made the decision regarding the future of the CWB's single desk. There was no pretense of any kind of consultation with farmers regarding the future of the CWB. Indeed, new Agriculture Minister, Chuck Strahl, announced that the purpose of the meeting was to “flesh out the approach to provide western farmers with marketing choice.”<sup>741</sup> The agenda included topics such as how the CWB should be structured when its single desk was terminated, and the types of financial and/or marketing instruments the CWB and/or farmers would need.<sup>742</sup> The meeting participants agreed that the reformed CWB should operate as a corporate entity; have equal opportunity relative to

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<sup>740</sup> The list of attendees included the WCWGA, ABC, SCGA, APAS, Frontier Center for Public Policy, George Morris Center, Canadian Chamber of Commerce, Canadian Federation of Independent Business, and the Winnipeg Commodity Exchange, observers from the governments of Manitoba, Saskatchewan, and BC, and two CWB market choice directors.

<sup>741</sup> *Charting The Path To Marketing Choice: Policy Roundtable On Marketing Choice for Wheat and Barley*, (Saskatoon: MDA Management Solutions for Agriculture and Agri-Food Canada, July 27, 2006), 2, accessed on May 13, 2012, [http://www.agr.gc.ca/cb/ip/pdf/cwb060727\\_e.pdf](http://www.agr.gc.ca/cb/ip/pdf/cwb060727_e.pdf); Angela Star, “Farmers Want Voice In Deciding CWB Future,” *Star Phoenix*, July 18, 2006, accessed May 14, 2012, <http://search.proquest.com>.

<sup>742</sup> Larry Kusch, “Farmers To Rally Behind Board,” *Winnipeg Free Press*, July 31, 2006, accessed May 14, 2012, <http://search.proquest.com>.

other entities that market grain; be associated with minimal legislation; have no regulatory role; have no ongoing access to public funds; have the ability to buy and sell all western grain and oilseeds; be farmer-owned and controlled, and accountable through an elected Board of Directors; should have the ability to choose its business focus and the types of services to offer; and, be structured as a business.<sup>743</sup> The meeting participants also reached consensus on other topics including the necessary financial and marketing instruments that the voluntary CWB would need, and the required steps for the implementation of a voluntary CWB.

In response to Ottawa's CWB reform meeting, the NFU organized a meeting and rally for the single-desk side at the same time and across the street.<sup>744</sup> The participants included the CFA, the general provincial farm groups, the Saskatchewan agriculture minister, Liberal MP (and former Agriculture Minister) Ralph Goodale, and individual farmers. Many in the farm community were offended by the closed-door approach taken by the Harper Conservative government, and expressed their support for the rally. They interpreted the meeting as a breach of Section 47.1 of the Canadian Wheat Board Act – which stated that any changes to the single desk required the consent of farmers - and an affront to democracy.<sup>745</sup>

The CWB's pro-single desk board of directors began to make moves in an attempt to head off Ottawa's reform effort. In early August the board of directors unveiled a plan entitled 'Harvesting Opportunity' that would see it become a non-profit private

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<sup>743</sup> *Charting The Path To Marketing Choice: Policy Roundtable On Marketing Choice for Wheat and Barley*, 3.

<sup>744</sup> Michael Rained. "Old faces back in spotlight as CWB fight resumes," *Western Producer*, August 3, 2006: 4, accessed April 9, 2007, <http://search.proquest.com>.

<sup>745</sup> Barry Wilson, "Conservatives lose public relations war over CWB – Opinion," *Western Producer*, July 27, 2006, 6.

organization, with its ties to the federal government severed but its single desk powers intact, with a separate subsidiary that would invest in commercial business ventures.<sup>746</sup> The CWB argued that its single desk was required – farmers must stick together - in order to allow it to effectively deal with the market power of TNCs such as ADM. The CWB proposal sought \$1.5 million from Ottawa for a capital fund that would make up for the loss of the government guaranteed payments to farmers and government lending and borrowing guarantees. The proposal also requested changes to the CWB Act that would allow it to own assets and partner with other players in the industry, and eliminate the five government appointed directors. The CWB proposed that such a change in its status would require the approval of farmers through a plebiscite.

### ***7.2.2. Task Force On Marketing Choice***

In the fall of 2006 Strahl appointed a Task Force On Marketing Choice, designed to make proposals for implementing marketing choice for wheat and barley farmers. The task force was predominantly comprised of individuals committed to ending the CWB single desk.<sup>747</sup> Two of the task force group members were representatives of consulting companies (JRG Consulting Group and Windrow Consulting Ltd.) previously hired by the Alberta government to write reports championing the end of the CWB's single

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<sup>746</sup> Steven Chase, "Wheat Board Pushes To Go Private," *Globe and Mail*, August 2, 2006, accessed May 14, 2012, <http://search.proquest.com>; *Harvesting Opportunity: Strengthening Farmers' Competitive Advantage; CWB Board of Directors Proposal to the Government of Canada*, (Winnipeg: Canadian Wheat Board, 2006), accessed May 14, 2012, [http://www.kis.usask.ca/pdfs/CWB\\_Studies/Harvesting\\_Opportunity\\_August\\_2006.pdf](http://www.kis.usask.ca/pdfs/CWB_Studies/Harvesting_Opportunity_August_2006.pdf).

<sup>747</sup> The task force was comprised of Howard Migie, Agriculture Canada; Mike Bast, WCWGA; Brenda Brindle, AGC; John Groenewegen, JRG Consulting Group; Rob Davies, Weyburn Inland Terminal; Paul Orsk, Grain Vision; and, Bruce Johnson, Windrow Consulting; Adrian Ewins. "Strahl Task Force Pushes Ahead," *Western Producer*, September 28, 2006, 3.



desk.<sup>748</sup> Strahl claimed that the two representatives were chosen because they had a good understanding of marketing choice and could help establish a strong, viable, and voluntary CWB. The CWB's board of directors were given one seat, but turned it down, arguing that farmers and not the government should be the ones to decide the future of the CWB.<sup>749</sup>

In its report, the task force recommended that a voluntary CWB be established within two years. The report stated that it envisioned “a thriving and competitive Canadian grain industry, in which innovation, entrepreneurship, investment, market responsiveness and individual initiative are encouraged.”<sup>750</sup> The task force recommended that the move to a voluntary CWB be undertaken in four phases: Period A would consist of preparing the legislation and achieving Royal Assent by June 2007; Period B would consist of the formation of CWB II and the move to marketing choice in barley by February 2008; Period C would begin in July 2008 and consist of the launch of CWB II, the implementation of transition measures, and the move to marketing choice for wheat; finally, Period D would be marked by the end of the transition measures in July 2013 and would consist of the post transition era where CWB II would become fully operational.<sup>751</sup> The task force report concluded that “if marketing choice is introduced in a careful, considered way but without unnecessary delay, an efficient, effective and competitive

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<sup>748</sup> “Ottawa Paying Two Consultants Who Favour Ending CWB Monopoly,” Canadian Press, September 26, 2006, accessed May 14, 2012, <http://search.proquest.com>.

<sup>749</sup> Adrian Ewins, “no to task force,” *Western Producer*, October 5, 2006, 3.

<sup>750</sup> *Marketing Choice – The Way Forward; Report of the Technical Task Force On Implementing Marketing Choice For Wheat And Barley*, (Ottawa: Agriculture and Agri-Food Canada, October 25, 2006), 3, accessed May 14, 2012, [http://www.agr.gc.ca/cb/ip/pdf/final\\_251006\\_e.pdf](http://www.agr.gc.ca/cb/ip/pdf/final_251006_e.pdf).

<sup>751</sup> *Marketing Choice – The Way Forward, Report of the Technical Task Force On Implementing Marketing Choice For Wheat And Barley*, 3-8; Adrian Ewins, “Groups unite to fight feds on CWB issue.” *Western Producer*, October 12, 2006, accessed May 14, 2012, <http://www.producer.com>.

grain marketing system will serve grain producers, customers and the overall grain industry.”<sup>752</sup> The report included no plans for a farmer plebiscite, as demanded by farm groups and political parties opposed to the Harper government’s plans.

### ***7.2.3. CWB Leadership Change Strategy***

During the fall of 2006, the Harper government attempted to precipitate an internal policy shift within the CWB, by carrying out actions aimed at having pro-market choice individuals occupy the majority of the CWB’s leadership positions. This course offered by far the most attractive option for the Harper government. An internal policy shift undertaken by the CWB itself would avoid a conflict with the organization, and the CWB could take the lead in promoting reform. To recall, the CWB’s board of directors was made up of five government-appointed directors and ten farmer-elected directors. At the time, the pro-single desk directors held a razor thin majority on the board, as eight of the ten farmer elected directors were pro-single desk supporters.

The personnel changes began in the fall, when Strahl named two anti-single desk individuals to the CWB’s board of directors. Ken Motiuk was an Alberta farmer, former WCWGA board member, and was associated with various grain companies.<sup>753</sup> The other new director was Dwayne Anderson, who also opposed the single desk. Motiuk filled a vacancy that existed at the time, while Anderson was the replacement for the recently fired Ross Keith, who had converted to become a pro-single desk supporter. Strahl

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<sup>752</sup> Ibid: 8.

<sup>753</sup> “Minister Strahl Announces Appointment of New Director to the Canadian Wheat Board,” News Release, Agriculture and Agri-Food Canada, September 16, 2006, accessed on May 14, 2012, <http://www.marketwire.com/press-release/Minister-Strahl-Announces-Appointment-of-New-Director-to-the-Canadian-Wheat-Board-612393.htm>.; Larry Kusch, “Ag Minister Fills CWB Spot,” *Winnipeg Free Press*, September 16, 2006, accessed May 14, 2012, <http://search.proquest.com>.

looked to the director elections held that fall, to bring about the remainder of the required director changes.

The main issue in the director election in the fall of 2006, was the future of the single desk. The election was viewed in the farm community as a de facto referendum, with pro-single desk candidates running against anti-single desk candidates in each district.<sup>754</sup> Strahl carried out two actions during the election that brought severe criticism from the pro-single desk side, and indeed many other non-aligned members of the farm community, who accused the Harper government of being heavy handed and unethical in its handling of the CWB issue. First, he brought forth a cabinet directive, which prevented the CWB from spending money to advocate for the pro-single desk position.<sup>755</sup> The CWB responded by filing an application in Federal Court, which asked a judge to remove the ‘gag order.’<sup>756</sup> Second, Strahl removed 16,000 farmers from the preliminary CWB voters list, after the election had already begun.<sup>757</sup> He argued that these farmers had not made any deliveries to the CWB in at least two years.

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<sup>754</sup> Angela Hall, “Single-Desk System Main Issue,” *Leader Post*, September 7, 2006, accessed May 14, 2012, <http://search.proquest.com>; Adrian Ewins. “CWB election seen as vote on single desk,” *Western Producer*, August 17, 2006, 1.

<sup>755</sup> The “gag order” was imposed after the CWB had refused to adhere to a request by Strahl, that it promote “marketing choice” in its communications materials. The provision had last been used when Ottawa ordered the CWB to stop grain sales to the USSR when it invaded Afghanistan in 1979. “Harper Slaps Muzzle On Wheat Board: Critics Decry ‘Extreme’ Measure,” *Calgary Herald*, October 12, 2006, accessed May 14, 2012, <http://search.proquest.com>; “CWB Directed To Refrain From Spending Monies For Advocacy,” *News Release*, Agriculture and Agri-Food Canada, October 11, 2006.

<sup>756</sup> The application alleged that the cabinet order was illegal, vague, and contravened the Charter of Rights and Freedoms. In the 39-page supporting affidavit, Measner wrote “the government has conducted a carefully orchestrated campaign designed to implement change contrary to existing legislation.” He also stated that the government is determined to impose its agricultural policy “irrespective of the provisions of the CWB Act, the intention of Parliament, the collective view of the board, and most important, the wishes of the majority of Canadian producers.” Michelle MacAfee, “Canadian Wheat Board Asks Judge To Quash Federal Government Gag Order,” *Canadian Press*, December 4, 2006, accessed May 15, 2012, <http://search.proquest.com>.

<sup>757</sup> Strahl removed 36 percent of the farmers from the original voters list that totaled 44,578 farmers. Bill Curry, “Farmers Removed From Voting List,” *Globe and Mail*, October 18, 2006, accessed May 14,

The pro-single desk side responded by denouncing the moves. First, the agriculture critics from the Liberals, NDP, and Bloc Quebecois held a joint news conference on Parliament Hill to denounce the Conservative government's moves as "unprecedented, unethical, and undemocratic."<sup>758</sup> They condemned the obvious pro-market biases of the members of the task force, the gag order, the decision to remove 16,000 farmers<sup>759</sup> from the director election list, and the refusal to commit to a plebiscite as required by Section 47.1 of the CWB Act. They called on the House of Commons' Agriculture and Agri-Food Committee to hold emergency hearings the following week, in order to hear from advocates of the CWB who were being muzzled. Second, CWB President, Adrian Measner, stated in an address to the Winnipeg Chamber of Commerce, that it would be un-Canadian and an affront to farmers' rights for the government to undertake unilateral changes to the CWB without holding a farmer vote.<sup>760</sup> Finally, Manitoba Agriculture Minister, Rosanne Wowchuk, announced that the Manitoba government would hold its own plebiscite for its farmers on the CWB issue.<sup>761</sup> The move was designed to force the federal government's hand, and to demonstrate to everyone in the farm community where

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2012, <http://search.proquest.com>; "Ministerial Statement on Voters List for CWB Director Elections," Agriculture and Agri-Food Canada, October 17, 2006.

<sup>758</sup> "CWB Must Respect All Opinions: Harper," *Dawson Creek Daily News*, October 18, 2006, accessed May 14, 2012, <http://search.proquest.com>.

<sup>759</sup> Just over 1000 of the farmers who were taken off of the voter's list, applied to have themselves put back on.

<sup>760</sup> "Farmers Must Be Heard, Says Wheat Board Boss," *Star Phoenix*, October 20, 2006, accessed May 14, 2012, <http://search.proquest.com>.

<sup>761</sup> Michelle MacAfee, "Agriculture Minister Says Manitoba Will Hold Its Own Vote On Wheat Board," *Canadian Press*, October 24, 2006, accessed May 14, 2012, <http://search.proquest.com>; "Manitoba To Hold Vote On Future Of Canadian Wheat Board," *News Release*, Government of Manitoba, October 24, 2006, accessed March 14, 2012, <http://news.gov.mb.ca/news/print,index.html?archive=&item=184>.

Manitoba farmers really stood. The opposition Conservatives stood behind the NDP government's plan.

On December 11<sup>th</sup> the results of the director election were announced. The result was a significant victory for the pro-single desk side, with four of the five newly elected directors supporters of the single desk. The result maintained the pro-single desk side's majority on the 15 member board of directors. The pro-CWB candidates received 60.3 percent of all votes cast, and 40 percent of all farmers who received ballots participated.<sup>762</sup> CWB chair, Ken Ritter, argued that farmers had spoken and that the Harper government would be wise to heed their wishes. Strahl dismissed their claims, indicating that the Harper Conservatives were elected with a mandate from western farmers.<sup>763</sup> Strahl stressed that a plebiscite with a clear question would reveal where farmers really stand.

#### **7.2.4. CWB President Fired**

Strahl fired CWB President Adrian Measner on December 19<sup>th</sup>. The Harper government had not been pleased that Measner has refused to go along with its plan to terminate the single desk. In late November Strahl had sent a letter to Measner, which warned that he might be fired. Measner's supporters had rallied to his defense. First, the CWB's directors passed a resolution expressing their full support for Measner. Second, on December 14<sup>th</sup>, the deadline Measner was given to respond to Strahl, the Friends of the Canadian Wheat Board organized a rally in front of the CWB building in Winnipeg,

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<sup>762</sup> Adrian Ewins. "Voters buck Ottawa on CWB," *Western Producer*, December 14, 2006, accessed on May 15, 2012, <http://www.producer.com>.

<sup>763</sup> Terry Pedwell, "Election Proves Farmers Support Wheat Board, Critics Tell Tories," *Canadian Press*, December 11, 2012, accessed May 15, 2012, <http://search.proquest.com>.

which attracted hundreds of farmers.<sup>764</sup> Earlier that day, the defiant Measner had sent Strahl a letter with two clear messages: first, he stated that he would continue to support single desk marketing, based on the direction given to him by the farmer elected directors and his 32 years of experience in the grain industry; and second, he advised the Strahl to let the farmer elected directors run the organization. In the aftermath, the pro-CWB farm groups called the firing completely unacceptable. Not only were they concerned that the firing was mean-spirited and vindictive, but they were also concerned that Strahl was making unilateral decisions about the future of the board.<sup>765</sup>

### **7.3. Provincial and Federal Plebiscites**

In the new year both sides of the debate attempted to gain control of the public relations struggle by holding plebiscites. The plebiscites were designed to demonstrate that the views of farmers mattered and should guide the outcome. The Manitoba government's plebiscite was also designed to discredit the position being taken by the Harper government.

#### ***7.3.1. Manitoba Plebiscite***

In early December, 2006 the NDP government of Manitoba announced that it was definitely moving ahead with its plebiscite, in light of its ongoing attack against the CWB

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<sup>764</sup> Michelle Macafee, "Prairie farmers Rally In Winnipeg In Support of CWB," *Canadian Press*, December 14, 2006, accessed May 15, 2012, <http://search.proquest.com>.

<sup>765</sup> Adrian Ewins. "CWB chief rejects Ottawa's demands," *Western Producer*, December 21, 2006, accessed May 15, 2012, <http://www.producer.com>.

and given that it appeared to be delaying on holding a plebiscite of its own.<sup>766</sup> The vote would not be binding, but it was hoped that the Harper government would find it difficult to ignore. The Manitoba plebiscite used the questions that had been developed by the Prairie Producer Coalition.<sup>767</sup> The questions for wheat were: 1) I wish to maintain the ability to market all wheat, with the continuing exception of feed wheat sold domestically, through the CWB single desk system; or, 2) I wish to remove the single desk marketing system from the CWB and sell all wheat through the open market system. Similarly, the questions for barley were: 1) I wish to maintain the ability to market all barley, with the continuing exception of feed barley sold domestically, through the CWB single desk system; or, 2) I wish to remove the single desk marketing system from the CWB and sell all barley through the open market system. The ballots were mailed out during the week of December 6<sup>th</sup> to farmers who grew wheat or barley in the previous two years, and were due back by January 5<sup>th</sup>.

The results of the Manitoba plebiscite were announced on January 16<sup>th</sup>, 2007. The result was a resounding vote in favour of preserving the CWB's monopoly powers: 62 percent voted in favour of retaining single-desk selling for barley, and 70 percent voted in favour of retaining the single desk for wheat. Sixty-five percent of all ballots mailed out, were returned, which was considered a very good turnout for a mail in ballot type plebiscite. Strahl refused to recognize the result, and argued that the results were skewed by the heavy propaganda campaign that had been carried out by the Manitoba

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<sup>766</sup> "Manitoba Pushing Ahead With Wheat Board Vote," *Globe and Mail*, December 7, 2006, accessed May 15, 2012, <http://search.proquest.com>.

<sup>767</sup> The Prairie Producer Coalition was comprised of the National Farmers Union (NFU), Keystone Agricultural Producers (KAP), Agricultural Producers Association of Saskatchewan (APAS), and the Wild Rose Agricultural Producers (WRAP).

government and the fact that the ballots did not include the dual market option.<sup>768</sup> The NDP government of Saskatchewan, which had passed a motion in the legislature asking the federal government to hold a farmer plebiscite, warned that it would hold a plebiscite for its farmers, if the federal government continued to hold a prairie wide vote.<sup>769</sup>

### **7.3.2. Federal Government Plebiscite**

The day after the announcement of the director election results and after the ballots for Manitoba's plebiscite had been mailed out, Strahl finally confirmed in the House of Commons that the federal government would hold a plebiscite for barley farmers early in the near year. The questions on the federal government's ballot differed in one important respect, from both the Manitoba government's ballot and the Liberal government's ballot used a decade earlier. Whereas the latter had included only two options on the ballot, the Conservatives included three: 1) retention of the monopoly on barley sales; 2) a 'dual market' where the CWB would exist as one option among several available to farmers when marketing their barley; and, 3) the CWB should have no involvement in marketing barley. As in the past, the issue regarding the dual market question caused controversy, as this time the pro-single desk side was upset that it had

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<sup>768</sup> Adrian Ewins. "Strahl happy with Manitoba CWB vote result," *Western Producer*, January 25, 2007, accessed May 15, 2012, <http://www.producer.com>; "Most Manitoba Farmers Want To Keep Wheat Board," *Canadian Broadcasting Corporation*, January 16, 2007, accessed May 15, 2012, <http://search.proquest.com>.

<sup>769</sup> "Saskatchewan Holds Off On Referendum," *Winnipeg Free Press*, January 17, 2007, accessed May 15, 2012, <http://search.proquest.com>.



been included on the ballot.<sup>770</sup> Strahl only added to the controversy when he declared that the results would not be binding on the government.<sup>771</sup>

The federal government's plebiscite began on February 7<sup>th</sup>, and was riddled with controversy from the start. First, pro-single desk side took issue with the fact that the ballots were numbered, because it made them traceable.<sup>772</sup> Second, farm groups on both sides of the debate took issue with the fact that some farmers received more than one ballot. KPMG, the firm hired to administer the election, stated that it had tried to be as inclusive as possible, and that depending on the ownership structure of a farm, multiple ballots were possible.<sup>773</sup> The firm only exacerbated the problem when, after the mail-in deadline had passed, it called the farmers who had received multiple ballots and to ask which one they wanted counted.<sup>774</sup> While the NDP governments of Manitoba and Saskatchewan declared that plebiscite was flawed, the government of Alberta focused on advocating for the marketing choice option, and spent \$150,000 in radio and print advertising during the voting period.<sup>775</sup>

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<sup>770</sup> Adrian Ewins. "Pollsters Say Barley Ballot Words 'Skewed,'" *Western Producer*, February 1, 2007, accessed May 15, 2012, <http://www.producer.com>; Barry Wilson. "Void in barley plebiscite info allows more confusion," *Western Producer*, February 22, 2007, accessed May 15, 2012, <http://www.producer.com>; Paul Samyn, "Barley Options May Muddy Result," *Leader Post*, January 20, 2007, accessed May 15, 2012, <http://search.proquest.com>.

<sup>771</sup> Paul Samyn, "CWB Calls Plebiscite 'Meaningless,'" *Leader Post*, January 23, 2007, accessed May 15, 2012, <http://search.proquest.com>.

<sup>772</sup> Michelle Macafee, "Wheat Board Ballots Numbered, Making Them Traceable, Says Liberal MP," *Canadian Press*, February 22, 2007, accessed May 15, 2012, <http://search.proquest.com>; Adrian Ewins. "Barley vote engulfed in controversy," *Western Producer*, February 22, 2007, 1.

<sup>773</sup> "Some Farmers Get Up To 3 Votes On Wheat Board Plebiscite," *Edmonton Journal*, March 1, 2007, accessed May 15, 2012, <http://search.proquest.com>; Adrian Ewins. "Some get more than expected in barley vote," *Western Producer*, March 8, 2007, accessed May 15, 2012, <http://www.producer.com>.

<sup>774</sup> "Farmers With Multiple Ballots Must Pick Which Will Count," *Canadian Press*, March 23, 2007, accessed May 15, 2012, <http://search.proquest.com>.

<sup>775</sup> "Alberta's Wheat Board Stand 'Uncalled For,'" *Calgary Herald*, March 13, 2007, accessed May 15, 2012, <http://search.proquest.com>.

Strahl announced the results of the plebiscite on March 28, 2007. They were as follows: 38 percent voted to maintain the single desk, 48 percent voted for a dual market, and 14 percent voted for an open market.<sup>776</sup> After adding up the results for the second and third options, Strahl declared that 62 percent of farmers had chosen to remove the CWB's monopoly on barley sales. Strahl also announced that he would make the necessary amendments to the CWB regulations, as soon as possible.<sup>777</sup> He requested that the CWB produce a business plan regarding how it would market barley without the single desk. Only 35 percent of all ballots that were mailed out to farmers were returned.<sup>778</sup> The pro-single desk side denounced the results, arguing that the process had been deeply flawed.<sup>779</sup>

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<sup>776</sup> 45 percent of the 15,300 Saskatchewan farmers who votes, roughly half of all farmers who voted, voted to retain the single desk. In Manitoba, more than 50 percent of the 3,700 farmers who voted, voted for the single desk option. Only in Alberta did a clear majority (63 percent) favour market choice.

<sup>777</sup> Michelle MacAfee, "Western Canadian Farmers Vote To End CWB Barley Monopoly," *Canadian Press*, March 28, 2007, accessed May 15, 2012, <http://search.proquest.com>.

<sup>778</sup> 29,067 of the 82,000 ballots mailed out, were returned by farmers.

<sup>779</sup> "Flawed Federal Barley Vote Delivers No Mandate To Eliminate Single Desk: Wowchuk," *News Release*, Government of Manitoba, March 28, 2007, accessed on May 15, 2007, <http://news.gov.mb.ca/news/print,index.html?item=1387>; Janet French. "Dion rips Tories on barley vote," *Regina Leader-Post*, April 2, 2007, accessed May 15, 2012, <http://search.proquest.com>.

## 7.4. First Attempt To Implement ‘Marketing Choice’

### 7.4.1. Attempt To Remove Barley From CWB’s Single Desk

After the plebiscite, Strahl triumphantly announced in the House of Commons that the CWB’s control over barley would end in four months.<sup>780</sup> The political battle immediately swung into high gear. The pro-single desk side made threats of legal action, aimed at preventing the change.<sup>781</sup> The legal action would focus on their argument that changes to the single desk could only be made by amending the CWB Act in Parliament.<sup>782</sup> Also, CWB chair, Ken Ritter stated that the future of the single-desk was up to the elected directors, not the federal government. The CWB asked the minister to carefully consider the consequences of its actions in barley. Finally, members of the agriculture sector not opposed to the termination of the single desk, advised the government to slow down in order to ensure a smooth transition. Canada’s two largest maltsters – Prairie Malt (owned jointly by Cargill and the SWP) and Canada Malting Co. Ltd. - argued that the government should wait a year before operationalizing a dual market, because they had contracts for significant sales with the CWB that the government would be liable for.<sup>783</sup> They were concerned about some farmers defaulting on their delivery contracts.

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<sup>780</sup> Barry Wilson. “Uproar follows CWB barley vote,” *Western Producer*, April 5, 2007, accessed May 15, 2012, <http://www.producer.com>.

<sup>781</sup> Barry Wilson. “Court challenge possible over barley removal: Goodale,” *Western Producer*, April 5, 2007, accessed May 15, 2012, <http://www.producer.com>.

<sup>782</sup> Paul Samyn, “Grits Call Wheat Board Changes ‘Undemocratic,’” *Winnipeg Free Press*, May 18, 2007, accessed May 15, 2012, <http://www.producer.com>.

<sup>783</sup> Roberta Rampton, “Time Needed To Ready For Marketing Rules: Maltsters,” *National Post*, April 24, 2007, accessed May 15, 2012, <http://search.proquest.com>; Larry Kusch, “Maltsters, Wheat Board Team Up To Lobby Ottawa Over Barley Sales,” *Winnipeg Free Press*, May 19, 2007, accessed May 15, 2012, <http://search.proquest.com>; Larry Kusch, “Maltsters, “Wheat Board Team Up To Lobby

Undeterred, on June 11<sup>th</sup>, Strahl travelled to a Manitoba grain farm and announced that the CWB's single desk would end on August 1<sup>st</sup>.

Soon after Strahl's announcement the political battle over the future of the CWB was thrust into the legal sphere. The newly created Friends of the Canadian Wheat Board (FCWB) - which was formed in order to serve as the legal arm of the pro-single desk farm groups - declared that it would launch a legal challenge to the federal government's regulatory change in a Federal Court.<sup>784</sup> It argued that only an Act of Parliament could make changes to the CWB Act. The CWB then submitted an application for a court order 'if necessary,' to stay the regulations pending the court's decision on whether they are valid.<sup>785</sup> The CWB requested that the federal court speed up the court case, so that everyone would have more certainty going forward. Finally, the NDP government of Saskatchewan announced that it would contribute \$30,000 to the case and apply for intervenor status.<sup>786</sup> The Saskatchewan government defended the move by arguing that the loss of the CWB would cost Saskatchewan \$40 million per year.<sup>787</sup>

Only hours before 'barley freedom day' on July 31<sup>st</sup>, Federal Court Judge, Delores Hansen, ruled that the Harper government's regulation was ultra vires. It had overstepped its authority when it passed a regulation meant to terminate the CWB's

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Ottawa Over Barley Sales," *Winnipeg Free Press*, May 19, 2007, accessed May 15, 2012, <http://search.proquest.com>.

<sup>784</sup> Tamara King, "Barley farmers Free To Choose August 1, But CWB Supporters Plan Legal Fight," *Canadian Press*, June 11, 2007, accessed May 15, 2012, <http://search.proquest.com>.

<sup>785</sup> "Wheat Board Goes To Court To Keep Barley," *Edmonton Journal*, June 19, 2007, accessed May 15, 2012, <http://search.proquest.com>.

<sup>786</sup> "Saskatchewan Wants Say In Legal Challenge Between Wheat Board and Feds," *Canadian Press*, July 5, 2007, accessed May 15, 2012, <http://search.proquest.com>.

<sup>787</sup> Jennifer Graham, "Barley Producers Get Cash From Sask. In Legal Battle To Save Wheat Board," *Canadian Press*, June 13, 2007, accessed May 15, 2012, <http://search.proquest.com>.

single desk for barley.<sup>788</sup> Therefore, the regulation had no force. While Strahl expressed his disappointment in the ruling, Prime Minister Harper defiantly declared that his government would not be stopped in its quest to deliver marketing choice.<sup>789</sup> The CWB and pro-CWB groups hailed the decision as a victory for farmers, and the federal NDP called for Strahl's resignation over his mishandling of the issue. Many of the government's opponents and analysts alleged that the Harper government had shown a lack of respect for the law, the courts, and democracy in its handling of the issue.

#### **7.4.2. Policy Community Shift**

Throughout the Harper government's campaign to terminate the single desk, the policy community continued to tilt further against the CWB. First, in the fall of 2006, the provincial general farm groups began to withdraw from the CWB debate. In early November the Agricultural Producers Association of Saskatchewan (APAS) announced that had decided to officially drop out of the Prairie Producer Coalition, which had been formed to oppose the Harper government's attack on the single desk.<sup>790</sup> APAS cited the fact that its membership included farmers who stood on both sides of the debate, and that it was proving too divisive for the organization. Therefore, the decision was made to have APAS assume its 'traditional neutrality' on the issue of wheat and barley marketing,

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<sup>788</sup> "Federal Government Loses Court Battle Over CWB," *Alaska Highway News*, July 31, 2007, accessed May 15, 2012, <http://search.proquest.com>.

<sup>789</sup> "Grain Ruling Fails To Deter Harper," *Calgary Herald*, August 3, 2007, accessed May 15, 2012, <http://search.proquest.com>.

<sup>790</sup> Angela Hall, "APAS Bows Out Of National Group," *Leader Post*, November 3, 2006, accessed May 14, 2012, <http://search.proquest.com>.

and focus on the many other issues of importance to the livelihood of Saskatchewan's farmers.

The next year, the Saskatchewan NDP lost the government to the Saskatchewan Party (SP). The SP was firmly anti-single desk, and announced its intention to fully support the Harper government's efforts. The SP government quickly moved to withdraw the government's support for the CWB, in the federal government's appeal of the barley decision. Premier Brad Wall named Alana Koch the Deputy Minister of Saskatchewan Agriculture. Koch had previously served as Executive Director of the WCWGA, and President of the Canadian Agri-Food Trade Alliance (CAFTA). The Saskatchewan Party's win meant the CWB was left with the support of only one provincial government.

In late November, the Malting Association of Canada (MAC)<sup>791</sup> publically threw its support behind the federal government's plan to end the single desk for barley. The MAC stated that it wanted Ottawa to introduce legislation to end the single desk for barley for August 1<sup>st</sup> the following year, because the maltsters needed better 'price signals' and secure sales and supplies.<sup>792</sup> The statement brought even more pressure on the CWB's leadership to provide new barley options for the new year. Recognizing the pressures for change being imposed on the CWB, the NFU urged the directors to remember that it was their role to earn price premiums for farmers, not serve the interests of grain buyers such as the maltsters.

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<sup>791</sup> The MAC consisted of Canada's largest maltsters: Canada Malting Co., Rahr Malting, Prairie Malt Ltd., and ADM Malting. Together they purchase 1.1 million tonnes, or 60 percent of the CWB's annual pool of malting barley.

<sup>792</sup> "Larry Kusch, "Maltsters Want CWB Gone," *Edmonton Journal*, November 28, 2007, accessed May 15, 2012, <http://search.proquest.com>.

By early 2008 the policy community was clearly tilted against the CWB. The Saskatchewan government was now controlled by an anti-CWB party, Saskatchewan's general farm groups had retreated from the CWB debate, and two of its domestic customer groups (maltsters and grain handlers), and even the former wheat pools (Viterra), were calling for its end in the barley market.<sup>793</sup> To make matters worse, farm commodity prices were rising. This added further fuel to the fire, as the CWB's opponents began to foment the idea that the CWB's administrative costs and overly conservative marketing strategies were resulting in lower returns for farmers, while farmers elsewhere were cashing in on the high prices. The WCWGA stated that prairie farmers were not getting anywhere close to world prices.

In response to the emptying out of support for the CWB within the farm community, two new organizations had been created by pro-single desk farmers and farm groups in 2007-08. Although the two groups were focused on specific actions in the fight to save the CWB, they were also created, in part, to make the pro-single desk side larger in number. The Friends of the Canadian Wheat Board (FCWB) was created to act as the organization that would launch legal actions in defense of the CWB's single desk. Pro-single desk farmers and other Canadians could donate funds in support of the legal actions. The Canadian Wheat Board Alliance CWBA was created in order to serve as the organization that would organize the pro-CWB side's campaign in the bi-annual director elections, and carry out other actions in defense of the CWB. The CWBA membership consisted largely of more loosely associated members of the NFU. The CWBA held strategy meetings, recruited candidates, issued press releases, and organized campaigns.

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<sup>793</sup> Viterra CEO Mayo Schmidt declared that the company could become a more efficient grain shipper if the CWB were to lose its single desk on wheat and barley. Schmidt argued that in the absence of the CWB's regulatory control, Viterra could develop more direct relationships with the railways. "Viterra Touts Faster Grain-Handling Without CWB," *Edmonton Journal*, March 19, 2008, accessed May 16, 2012, <http://search.proquest.com>.

### ***7.4.3. Gerry Ritz Named New Minister of Agriculture***

Just days after the CPC government lost the court case over its proposed regulatory changes, Gerry Ritz took over as the new federal Minister of Agriculture. Ritz promptly announced that Ottawa would appeal the court decision over its attempted regulatory change. He reiterated the federal government's position: since barley was brought under the single desk through regulation, it could be removed by changing the regulations.<sup>794</sup> The Alberta government and the WBGA applied for intervener status in the appeal.<sup>795</sup> On the other side, the NDP government of Manitoba requested intervener status in support of the CWB. The CWB's directors warned that the appeal could hurt the CWB's barley sales.

In late February 2008, the Harper government lost its appeal over its attempted regulatory change to the CWB's single desk for barley. The Federal Court of Appeal upheld the decision made by the lower court, which stated that the federal government had overstepped its power in its attempt to remove the single desk for barley unilaterally; such a change could only be brought about by introducing legislation in Parliament.<sup>796</sup> The CWB's pro-single desk directors hailed the decision as a great day for democracy, and federal opposition MPs stated that it was time for Ritz to abandon his plan. Only days later, Ritz defiantly announced, that his government would deliver on its promise to

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<sup>794</sup> "Feds To Appear CWB Barley Monopoly Ruling," *Edmonton Journal*, August 31, 2007, accessed May 15, 2012, <http://search.proquest.com>.

<sup>795</sup> "Alberta Government Wants Say When Federal Appeal Court Hears Barley Fight," *Canadian Press*, October 2, 2007, accessed May 15, 2012, <http://search.proquest.com>.

<sup>796</sup> Steve Lambert, "Conservatives Lose Court Battle Over Wheat Board," *Canadian Press*, February 26, 2008, accessed May 16, 2012, <http://search.proquest.com>.



bring ‘marketing freedom’ by introducing legislation to amend the CWB Act, and may even make it a confidence motion.<sup>797</sup>

Ritz lived up to his word on March 3<sup>rd</sup>, when he introduced legislation to end the CWB’s single desk for barley.<sup>798</sup> The new bill would give the cabinet the authority to end the single desk, without formally consulting the CWB or conducting a farm plebiscite. The CWB’s directors stated that Bill C-46 would force it to submit to a commercial dispute resolution process, undermining its ability to conduct business in a way that maximizes returns to farmers.<sup>799</sup> In June, the Harper government attempted to have the bill move straight to committee, and sought unanimous consent in the House of Commons. Ritz claimed that the government was attempting to have the bill fast-tracked for farmers, so that they would have marketing choice by August 1<sup>st</sup>. However, the opposition blocked the move, and Ritz accused them of blocking marketing freedom for farmers. In reality the Conservatives certainly did not want the bill to come to a vote, and become a confidence issue.

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<sup>797</sup> Larry Kusch, “More Barley Lawsuits Likely, Tories Told,” *Winnipeg Free Press*, March 1, 2008, accessed May 16, 2012, <http://search.proquest.com>.

<sup>798</sup> John Ward, “Government Introduces Bill To End Wheat Board Barley Monopoly,” *Canadian Press*, March 3, 2008, accessed May 16, 2012, <http://search.proquest.com>.

<sup>799</sup> “CWB Says Clause In New Barley Bill Could Cost Farmers.” *Canadian Press*, March 4, 2008, accessed May 16, 2012, <http://search.proquest.com>.

#### **7.4.4. Gag Order Appeal**

In early June the CWB's directors filed an appeal in a Federal Court to overturn the 2006 cabinet order, which prevented it from promoting the benefits of the single desk.<sup>800</sup> The CWB argued that the federal government and its allies had been actively advocating for the marketing choice, and it was necessary for the CWB to address the associated issues. In court the CWB's lawyer made use of a document obtained through an access to information request, which showed that the CPC government had discussed firing CWB directors four months before they executed the actions in November 2006. The CWB alleged that the gag order was not about merely saving money, but about an agenda against the CWB's single desk.<sup>801</sup> On June 20, Justice Roger Hughes ruled that the federal government had violated the Charter of Rights and Freedoms by ordering the CWB not to spend any money to defend the single desk.<sup>802</sup> The ruling overturned the federal government's gag order. The Justice Hughes wrote "there has been no demonstration of any pressing or substantial economic objective, the only true objective is to constrain the advocacy of the board against government policy."<sup>803</sup> Harper responded by stating that anyone who stands in his government's way is "going to get

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<sup>800</sup> "Wheat Board To Tell Court That Federal Ban On Advertising Is Unconstitutional," *Canadian Press*, June 5, 2008, accessed May 16, 2012, <http://search.proquest.com>.

<sup>801</sup> Larry Kusch, "Get Rid Of CEO, Report Suggests," *Winnipeg Free Press*, June 17, 2008, accessed May 16, 2012, <http://search.proquest.com>.

<sup>802</sup> "Court Overturns Federal Government's Gag Order On CWB," *Canadian Press*, June 20, 2008, accessed May 16, 2012, <http://search.proquest.com>.

<sup>803</sup> "'Walking Over' The Wheat Board Proves Tough For Tories," *Brandon Sun*, June 24, 2008, accessed May 16, 2012, <http://search.proquest.com>.

walked over.”<sup>804</sup> This statement became a major galvanizing force for the pro-single desk side in subsequent years.

#### **7.4.5. Directors Election, 2008**

The director elections that took place in the fall of 2008 marked the final serious attempt of the Harper minority government to bring an end to the CWB’s single desk. The previous summer, Ritz had brought forth changes to the CWB directors election process. First, in May, he had introduced legislation that made changes to the voter’s list for the CWB’s director elections, which restricted participation to “actual producers who produced at least 120 tonnes of grain in either of the two previous crop years.”<sup>805</sup> Ritz stated that he wanted to make sure that it was active farmers who voted, not retired farmers or hobby farmers. Second, in late July, Ritz removed the spending limits on third-party interveners in CWB elections. Under the previous rules, interveners were limited to \$10,000 in spending.<sup>806</sup> Farm groups on both sides feared that individual candidates, who were still under spending limits themselves, would have difficulty countering potential attacks from organizations with more resources.

Both changes to the director election process made by the Harper government, were challenged in court by the Friends of the Canadian Wheat Board (FCWB). First, in early September, the group filed a lawsuit in Federal Court in Winnipeg, which argued that the federal government’s removal of third party spending limits for the fall director

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<sup>804</sup> Ibid.

<sup>805</sup> Mia Robson, “Bill Limits Wheat Board Voters,” *Calgary Herald*, May 28, 2008, accessed May 16, 2012, <http://search.proquest.com>.

<sup>806</sup> Larry Kusch, “Critics Say Tories Trying To Tinker With CWB Vote,” *Canadian Press*, August 1, 2008, accessed May 16, 2012, <http://search.proquest.com>.

elections was enacted improperly, and violated the Charter of Rights and Freedoms.<sup>807</sup> Although the government announced the move in August, it did not actually implement it until September 5<sup>th</sup>, two days before dissolving Parliament and three days after the start of the director election period. Furthermore, the FCWB argued that if a third party spent \$100,000 to advertise a false statement, a candidate would have a tough time countering it. Therefore, the group alleged that the change amounted to a fundamental breach of the equality provisions of the Charter, making it both ‘illegal’ and ‘discriminatory.’ Second, in mid September the FCWB filed a legal action in Federal Court in Winnipeg, aimed at forcing the reinstatement of farmer voters who held CWB permit books, but have not sold grain in the past 15 months.<sup>808</sup> The group argued that the federal government’s action was not legal under the CWB Act.

During the election, the National Citizen’s Coalition (NCC) took advantage of the lax third party spending rules, and ran a series of radio ads, encouraging farmers to vote for candidates advocating for the removal of the CWB’s single desk.<sup>809</sup> Also, several Conservative MPs sent literature to farmers promoting the ‘marketing choice’ candidates. For instance, the Parliamentary Secretary for Agriculture, David Anderson, sent letters to farmers in his constituency on government letterhead, which advocated for the pro-market choice candidate. In early December, the NFU filed a complaint with the privacy commissioner, which argued that the candidates are supposed to be the only ones with

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<sup>807</sup> Larry Kusch, “Feds Sued Over CWB Election,” *Winnipeg Free Press*, September 11, 2008, accessed May 16, 2012, <http://search.proquest.com>.

<sup>808</sup> Larry Kusch, “CWB Backers Sue Over Shrinking Voters List,” *Winnipeg Free Press*, September 19, 2008, accessed May 16, 2012, <http://search.proquest.com>.

<sup>809</sup> Larry Kusch, “Groups Pay To Put End To CWB’s Monopoly,” *Winnipeg Free Press*, November 19, 2008, accessed May 16, 2012, <http://search.proquest.com>.

access to the voters list under the CWB Act. The RCMP launched an investigation into the NFU's allegations in early 2009.<sup>810</sup>

In the end, the 2008 director election held up the status quo at the CWB's board of directors. Four out of five pro-single desk candidates were elected to the CWB's board of directors.<sup>811</sup> Voter turnout was 53 percent, considered strong for a mail-in ballot election. The pro-single desk groups and political parties hailed the victory as a definitive statement from prairie farmers regarding where they stood with respect to the CWB.

In early January 2009, Ritz acknowledged the results of the director elections by stating "farmers had spoken.... The government recognizes democracy. We recognize that, at this time and place, this is what farmers are asking for..." He also stated that the Harper government's plans to introduce legislation to end the CWB's single desk for barley, had been put on hold for the short term.<sup>812</sup> Days after Ritz's announcement the Parliamentary ethics commissioner cleared Anderson of any wrong doing regarding his letters to farmers, during the fall CWB director elections.<sup>813</sup>

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<sup>810</sup> Jennifer Graham, "Probe Launched Into Claims Tory MPs Interfered In Wheat Board Vote," *Canadian Press*, January 10, 2009, accessed May 18, 2012, <http://search.proquest.com>.

<sup>811</sup> Meghan Hurley, "Wheat Board Monopoly Wins Big Vote of Approval," *Winnipeg Free Press*, December 8, 2008, accessed May 16, 2012, <http://search.proquest.com>.

<sup>812</sup> Larry Kusch, "Wheat Board Changes Hit Snag," *Winnipeg Free Press*, January 9, 2009, accessed May 18, 2012, <http://search.proquest.com>.

<sup>813</sup> "Sask MP Cleared Of Allegations Of Wrongdoing," *Leader Post*, January 13, 2009, accessed May 18, 2012, <http://search.proquest.com>.

#### 7.4.6. *Dente*

The political struggle over the future of the CWB cooled down considerably in 2009 and 2010. The period, however, saw the resolution of outstanding legal cases that had previously been initiated. First, the ‘gag order’ imposed by the Harper government on the CWB was ultimately upheld by Federal Court of Appeal, when the Harper government filed a motion to have it reinstated. The judge ruled that the CWB exists by statute and as such has no rights or duties beyond those bestowed on it by the Canadian Wheat Board Act.<sup>814</sup> The CWB attempted to appeal the decision to the Supreme Court, stating that the case was important because they, as the farmer’s elected representatives, are ultimately responsible for the CWB.<sup>815</sup> However, the Supreme Court threw out the appeal, ending the legal fighting on this issue.<sup>816</sup> The pro-single desk side suffered another legal blow in early February 2010, when the FCWB’s lawsuit was dismissed.<sup>817</sup> The judge ruled that the group did not have the legal standing to bring the case forward, and noted that the CWB itself did not challenge Ritz’s removal of the names from the list.

The 2010 director elections were a relatively quiet contest, as compared with the elections of 2006 and 2008. It had become clear to the anti-single desk side that the likelihood of winning more than one district was slim, and that the Harper government would not be able to get legislation passed without a parliamentary majority. Given their

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<sup>814</sup> Lisa Arrowsmith, “CWB Directors To Consider Supreme Court Appeal On Gag Order,” *Canadian Press*, June 27, 2009, accessed May 18, 2012, <http://search.proquest.com>.

<sup>815</sup> Bruce Johnstone, “CWB To Appeal ‘Gag Order,’” *Leader Post*, July 28, 2009, accessed May 18, 2012, <http://search.proquest.com>.

<sup>816</sup> “Supreme Court Says It Won’t Hear Appeal By CWB,” *Canadian Press*, January 21, 2010, accessed May 18, 2012, <http://search.proquest.com>.

<sup>817</sup> “Wheat Board Lawsuit Dismissed,” *Winnipeg Free Press*, February 2, 2010, accessed May 18, 2012, <http://search.proquest.com>.

previous failures in the director elections, the anti-single desk side employed a different strategy this time around. Whereas previously their candidates had always been very outspoken and clear about their position regarding the CWB's single desk, in 2010 none of them mentioned the terms 'single desk' or 'marketing choice' at all.<sup>818</sup> Instead, they spoke about the need to improve the CWB and provide better service to farmers.<sup>819</sup> For instance, District 3 candidate and WBGA board member, Brian Otto, stated "where I stand on the single desk issue is there's no threat to the single desk with producers I have met with. It's not an election issue. When I talk about the single desk, it's enshrined in legislation and the CWB Act. My platform is we have to make the CWB do the best job it can and meet the needs of its producers."<sup>820</sup> In response, the pro-single desk side encouraged farmers to ask all candidates the same clear question: what is their position regarding the CWB's single desk? Despite the new strategy employed by the pro-market choice side, the 2010 director elections once again produced exactly the same result as every previous contest. Four pro-single desk candidates and one pro-market choice candidate were elected.<sup>821</sup> The result maintained the slim majority for the pro-single desk side on the CWB's board of directors.

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<sup>818</sup> Kevin Hursh, "Farmer, Lets Hear From You More Often," *Star Phoenix*, November 16, 2010, accessed May 19, 2012, <http://search.proquest.com>.

<sup>819</sup> Laura Rance, "CWB Candidates Silent On Big Issue," *Winnipeg Free Press*, November 27, 2010, accessed May 19, 2012, <http://search.proquest.com>.

<sup>820</sup> Garrett Simmons, "Single Desk Not Even An Issue For District 3; Otto," *Taber Times*, November 24, 2010, accessed May 18, 2012, <http://search.proquest.com>.

<sup>821</sup> The four successful pro-single candidates were incumbents Allen Oberg (CWB Chair) in District 5, Kyle Korneychuk in District 7 and the newly elected Stewart Wells in District 3 and John Sandborn in District 9. The only pro-market choice candidate elected was the incumbent in District 1, Henry Vos, who won by a slim margin of only 31 votes. Bruce Johnstone, "Single Desk Backers Claim CWB Director Spots," *Star Phoenix*, December 14, 2010, accessed May 18, 2012 <http://search.proquest.com>.

## **7.5. Harper Conservative Majority Government Era**

On May 2<sup>nd</sup>, 2011 the Harper Conservatives finally won its long coveted majority government in the federal election. For the first time ever, a federal party determined to terminate the single desk had been elected to power with a majority in the House of Commons. Two days later Ritz announced that the Harper government would introduce legislation designed to end the Canadian Wheat Board's single desk powers on August 1<sup>st</sup> 2012. In June, Ritz established a working group tasked with analyzing the issues concerning the move to marketing freedom, and making recommendations for the required legislation and other necessary actions by the federal government. Similar to Strahl's Task Force on Marketing Choice, the working group included only those committed to working toward terminating the single desk. The working group included the anti-single desk farm groups, including the Grain Growers of Canada, Pulse Canada, and the Canola Council of Canada, and senior government officials.<sup>822</sup> None of the general farm groups (CFA and its affiliates KAP, APAS, and WRAP) or cooperative farm groups were given a seat. However, these groups were invited to appear before the working group and make written submissions.

### ***7.5.1. Pro-CWB Coalition Launches Defense Campaign***

Soon after the Harper Conservative's election victory, the pro-single desk coalition kicked into high gear.<sup>823</sup> At a planning meeting held in June in Regina, it was

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<sup>823</sup> The coalition included the eight pro-single desk farmer elected CWB directors, three farm groups (NFU, the CWB Alliance, and FCWB), the NDP government of Manitoba, and the three federal opposition parties (NDP, LPC, and BQ).



established that all actions would be aimed at two underlying and interrelated objectives. The first objective was to create uncertainty in the agriculture sector, especially insofar as the multinational grain companies and railways were concerned. Even giant TNCs such as Cargill, Louis-Dreyfus, and Bunge preferred to know the details and timeline for big regulatory changes such as ending the CWB's single desk, in order to plan accordingly. For these entities, a lot was at stake, since they were clearly going to be making the biggest moves once the CWB's single desk was eliminated, given their very significant roles in the prairie agriculture sector. The coalition's second objective was to delay the legislation. It was known that in order to eliminate the single desk by August 1<sup>st</sup> 2012, the federal government would have to pass the legislation no later than December 2011. Delaying the legislation would open up crucial political space for action by the pro-single desk coalition, and offer an opportunity to try and generate widespread resistance among farmers to the federal government's plans. The coalition knew that winding down the single desk would be a complex process, and that fact alone would make the government's time-line very difficult to achieve.

### ***7.5.2. Legal Challenge Launched by Friends of the Canadian Wheat Board***

A key piece in the coalition's actions was a legal challenge put forth on June 27<sup>th</sup>, by the Friends of the Canadian Wheat Board (FCWB).<sup>824</sup> The challenge struck at the heart of parliamentary supremacy. It made reference to the Clarity Act, which was developed by the Chretien Liberal government in the aftermath of the 1995 Quebec

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<sup>824</sup> "Friends of the CWB Ask Court To Review Ritz' Plans For CWB," *News Release*, Friends of the Canadian Wheat Board, June 27, 2011, accessed on June 18, 2012, <http://friendsofcwb.ca/news/news-releases/7-courtfight2011>.

referendum and received royal assent in June 2000. The Clarity Act expressly disallowed any legislative government in the Canada from unilaterally separating from the country.<sup>825</sup> Section 47.1 of the Canadian Wheat Board Act states that no grain may be removed or added to the single desk without the Minister of Agriculture having both consulted with the board and held a plebiscite among farmers.<sup>826</sup> The case also cited the fact that Ritz had stated in a farm meeting in Minnedosa, Manitoba on March 15<sup>th</sup>, that he would respect farmer democracy. The case attempted to draw parallels between the Clarity Act and the Canadian Wheat Board Act, which were intended to limit the ability of a legislature to act unilaterally.

### **7.5.3. CWB Plebiscite and Public Meetings**

The coalition's next major move came when the CWB's directors (still under the control of the eight single desk supporters) announced that the CWB would hold a plebiscite. The purpose of the plebiscite was twofold. First, the directors were confident that the majority of farmers were pro-single desk supporters (given the results of every director election ever held), and wanted to clearly demonstrate that the government was acting against the wishes of the majority of prairie grain farmers. The directors hoped that once the results of the plebiscite were revealed, prairie farmers would be emboldened to stand up to the government. The voices of the anti-single desk side had become so loud in the media and on coffee row in the countryside, that many farmers who supported the single desk had become unconfident their view was also held by their neighbours and

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<sup>825</sup> *Clarity Act*, Statutes of Canada 2000. C.26., accessed October 28, 2011, <http://laws-lois.justice.gc.ca/eng/acts/c-31.8/page-1.html>.

<sup>826</sup> *Canadian Wheat Board Act*, Revised Statutes of Canada 1985. c.C-24.

had been intimidated into silence. The directors also hoped that the opposition parties would be more emboldened to fight the Conservative government in Parliament. Finally, the directors strongly believed that the plebiscite was important for the historical record. History would show the CPC government had acted against the wishes of prairie farmers. Given that the plebiscite would not actually be binding on the federal government, it was fundamentally a political act.

The CWB's plebiscite used the questions developed by the Prairie Producer Coalition in late July 2006.<sup>827</sup> Importantly, the ballot gave farmers only two options: maintaining the single desk, or removing the single desk.<sup>828</sup> As with all previous plebiscites, controversy erupted over the ballot questions. Many argued that a third option of a dual market should have been included on the ballot. As discussed earlier, the dual market option was not considered by most farm groups to be viable, due to the widely held belief that the CWB could not survive without its single desk, given that it possessed no assets. Separate ballots for wheat and barley were mailed to farmers who grew wheat and/or barley in the previous five crop years. Farmers received their ballots during the third week of July, and were to have them returned by August 24<sup>th</sup>.

In conjunction with the plebiscite, the CWB directors organized a series of public meetings – two in each province – during the month of August. Their intention was to

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<sup>827</sup> The recall, the Prairie Producer Coalition included the National Farmers Union (NFU), Keystone Agricultural Producers (KAP), Agricultural Producers Association of Saskatchewan (APAS), and the Wild Rose Agricultural Producers (WRAP). "Farmers To Hold Their Own Plebiscite On Future Of CWB," *News Release*, Canadian Wheat Board, June 28, 2011, accessed on June 28, 2012, [http://www.cwb.ca/public/en/newsroom/releases/2011/news\\_release.jsp?news=062811.jsp](http://www.cwb.ca/public/en/newsroom/releases/2011/news_release.jsp?news=062811.jsp).

<sup>828</sup> The ballot questions for wheat were: A) I wish to maintain the ability to market all wheat, with the continuing exception of feed wheat sold domestically, through the CWB single desk system; and B) I wish to remove the single desk marketing system from the CWB and sell all wheat through an open market system. The ballot questions for barley were: A) I wish to maintain the ability to market all barley, both malting/food, with the continuing exception of feed barley sold domestically, through the CWB single desk system; B) I wish to remove the single desk marketing system from the CWB and market all barley through an open market system. "Farmers To Hold Their Own Plebiscite On Future Of CWB," *News Release*, Canadian Wheat Board.

provide information to farmers and the general public regarding the implications of the elimination of the single desk for prairie farmers. The directors also intended to impress upon farmers the importance of voting in the plebiscite. The meetings drew strong crowds.<sup>829</sup> A pro-single desk rally organized by the NFU and CWBA, was held prior to each one. The vast majority of the attendees at the Manitoba and Saskatchewan meetings were pro-single desk supporters, while the people that attended the Alberta meetings were more divided in their views. The FCWB set up a booth at each meeting that promoted its legal actions against the federal government, and was used to collect donations for the legal actions. By the end of the summer the group had raised \$50,000. The meetings galvanized the pro-single desk coalition for the political ballot to take place that fall.

The results of the CWB's plebiscite were announced on September 12<sup>th</sup>. A strong majority of wheat farmers, 62 percent, voted to maintain the single desk, while a slight majority of barley farmers, 51 percent, voted in favour of maintaining the single desk. The disparity in the results between wheat and barley reflected the fact that barley farmers, mostly based in Alberta, had always been stronger advocates of marketing choice. The biggest surprise for the pro-single desk side was that vote for maintaining the single desk for wheat was not stronger. Voter turnout was 58 percent, which was high compared to the bi-annual director elections, but low when considered against the urgency of the exercise. One reason that the voter turnout was not stronger may have been many farmers were resigned to the fact that the fate of the single desk was already

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<sup>829</sup> The meetings were held in Regina, Saskatchewan on August 8<sup>th</sup>; Saskatoon, Saskatchewan on August 9<sup>th</sup>; Oak Bluff Manitoba on August 10<sup>th</sup>; Dauphin, Manitoba on August 11<sup>th</sup>; Medicine Hat, Alberta on August 15<sup>th</sup>; and Camrose, Alberta on August 16<sup>th</sup>. "Farmer-Directors To Hold Producer Meetings on Fate of CWB," *News Release*, Canadian Wheat Board, July 27, 2011, accessed on October 28, 2011, [http://www.cwb.ca/public/en/newsroom/releases/2011/news\\_release.jsp?news=072711.jsp](http://www.cwb.ca/public/en/newsroom/releases/2011/news_release.jsp?news=072711.jsp).

sealed. Another reason, perhaps, was that some farmers believed that the dual market option should have been on the ballot, and were discouraged from voting in favour of the single desk when it was not. In response to the results, CWB Chair Allen Oberg declared that the directors had received a clear mandate from prairie grain farmers, to employ all options at their disposal in defense of the single desk.

#### ***7.5.4. Working Group Report and Reform Legislation Tabled***

The Working Group on Marketing Freedom presented its report to Ritz on September 28<sup>th</sup>. The underlying theme of the report was that market forces would prevail as the final arbiter for the future of the CWB, and all other related issues. No doubt was left regarding the Harper government's vision of an entirely neoliberal oriented prairie crop sector. The report covered such issues as access to elevators, rail, and ports; access to producer cars and short lines; funding for market development and research activities; rail logistics; delivery of the Advance Payments Program; farmer information requirements; the role and importance of price transparency and tools for forward price discovery; and, the characteristics, tools, and business model appropriate for a competitive, voluntary CWB. The report stated that the federal government would 'monitor' the developments in these areas with an eye for 'anti-competitive behaviour,' but that the bar would be set very high for determining when it would intervene.<sup>830</sup> Intervention should only be considered in cases where there is clear evidence of anti-competitive behavior. The report was clear, the end of the single desk would mean the end of the cooperative tradition, just as the pro-single desk side had always feared. At a

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<sup>830</sup> *Report of the Working Group on Marketing Freedom*, Agriculture and Agri-Food Canada, September 22, 2011, accessed October 28, 2011, <http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1316798048695&lang=eng#altformat>.

press conference held at a proposed pasta plant in Regina, held in October, Harper declared that his government's legislation to end the CWB's single desk would be introduced very soon and that "this is a train barreling down a prairie track, and it is time for everyone to get on board or be run over."

Ritz finally introduced the legislation, Bill C-18, into Parliament on October 18<sup>th</sup>. As promised The Marketing Freedom for Grain Farmers Act would end the CWB's single desk by August 1<sup>st</sup> 2012. The Act was designed to unwind the CWB in a series of stages. First, a new governance structure would be introduced. The positions of the ten farmer elected directors were to be eliminated on the day the bill received royal assent, while the five remaining government-appointed directors and the CEO would remain. Second, the CWB's single desk would be officially brought to an end on August 1<sup>st</sup> 2012. At that point the CWB would become a new entity.<sup>831</sup> The new entity would have until August 1<sup>st</sup>, 2016 to come up with a privatization plan, or be dissolved. During this period the new entity would be allowed to carry over the government guarantees on borrowing and initial payments, and would be given \$200 million in adjustment funding. Importantly, however, the new entity would not be given regulatory access to the transportation or grain handling system that the CWB had stated it would need in order to survive.

#### ***7.5.5. Parliamentary Blitzkreig Tactics***

Through the fall the Harper government used every available tactic at its disposal to hustle the bill through Parliament. First, it limited the time available for debate during

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<sup>831</sup> At the time, some were calling the new version of the CWB 'CWB 2.0' or 'Fast Gerry's Temporary Discount Grain Company.'

first and second reading. The opposition parties were irate that they would not be able to adequately debate the issues concerning the CWB, and that the change would mostly escape the eye of the media due to the little amount of time that would be spent on it. Second, the bill was referred to a legislative committee rather than the House of Commons Committee on Agriculture and Agri-Food, which would have been the normal course. The Agriculture Committee process would have involved hearing from a broad spectrum of witnesses, and possibly hearings held throughout the prairie provinces that fall. By contrast, legislative committees only hear from experts on technical pieces of specific legislation, rather than a broad selection of witnesses on all aspects of the legislation including its merits. The opposition parties were incensed that those who would actually be affected by the legislation, prairie farmers, would not be given a chance to appear as witnesses before the House of Commons Agriculture and Agri-Food committee. On November 28, 2011, Bill C-18 was passed by the House of Commons, by a vote of 153-120. Closure was applied during Bill C-18's brief stay in the Senate. The Senate Agriculture Committee heard witnesses for only two days (December 8<sup>th</sup> and 9<sup>th</sup>). Representatives of farm groups and CWB directors representing both sides of the CWB debate, were invited to participate. Bill C-18 was passed by the Senate, by a vote of 51-33, and received Royal Assent on December 15, 2011.

#### ***7.5.6. Pro-Single Desk Coalition's Final Counter-Moves***

In late October, the CWB's directors announced they were launching a legal challenge. Their Federal Court application argued that the Marketing Freedom for Grain Farmers Act introduced in Parliament by the federal government on October 18<sup>th</sup>, was

illegal. They argued that the bill's illegality stemmed from the fact that it ignored section 47.1 of the Canadian Wheat Board Act, which stated that a vote among farmers must be held before any grain can be removed from the single desk.

The pro-single desk coalition also held a series of demonstrations that fall, in an attempt to draw attention to the way that the Harper government was handling the CWB issue. In late October tandem demonstrations were held in Colonsay, Saskatchewan and Forestburg, Alberta.<sup>832</sup> In Colonsay, the demonstration was held on a CP main line in response to Harper's declaration that the CWB legislation was a train coming down a prairie track. In Alberta, farmers loaded producer cars on a short line to demonstrate the conviction that the end of the single desk would effectively mean the end of producer cars and short line railways. The farmers were members of the Battle River New Generation Coop (BRNGC), which had purchased an abandoned short line that ran between Alliance and Kelsey Alberta, and had been in operation for two years. Two days later, on October 28<sup>th</sup>, the pro-single desk side held a major rally in Winnipeg. After gathering at the Red River Exhibition grounds on the outskirts of Winnipeg, a large convoy of trucks, buses, and farm machinery traveled into downtown Winnipeg, and joined many urban supporters in front of the CWB building on Main Street. At the demonstration several farm leaders and politicians<sup>833</sup> made passionate speeches regarding the anti-democratic behaviour of the CPC government and the importance of the CWB to farmers, to the province of Manitoba, and to Winnipeg.

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<sup>832</sup> "Pro-Wheat Board Farmers Hold Rally," *Canadian Broadcasting Corporation*, October 21, 2011, accessed on May 16, 2012, <http://www.cbc.ca/news/canada/saskatchewan/story/2011/10/21/sk-colonsay-rally-cwba-111021.html>.

<sup>833</sup> Those who spoke included CWB chair Allen Oberg, FCWB leader Butch Harder, NDP MPs Nikki Ashton and Pat Martin, NFU representative Fred Tait, CWB Alliance leader Bill Gehl, Manitoba NDP Agriculture Minister Stan Struthers, and others.



In November and early December the pro-single desk coalition made two final last-ditch efforts to stop Bill C-18 from becoming law. First, in mid-November, a delegation of 24 farmers and academics travelled to Ottawa to lobby Senators and hold a press conference on Parliament Hill.<sup>834</sup> At that point, the Senate was the only option left, given the CPC government's majority in the House of Commons. The strategy was to try and target Progressive Conservative and independent Senators, and to pressure the Liberal Senators to attend the vote on Bill C-18. It was also hoped that some Conservative appointed Senators might be receptive to the delegation's pleas. The press conference launched a 'Stop the Steamroller' campaign, which involved an on-line petition on the CWB's website that Canadians were encouraged to sign. The campaign was intended to emphasize the way that the CPC government was running roughshod over the Opposition in Parliament and over farmers' democratic rights, and to warn Canadians that policies and programs they hold dear could be next. The final effort made by the coalition to stop the legislation from becoming law was a letter-writing campaign to Governor General, David Johnson, begging him not to grant Royal Assent, given the fact that farmers had not been granted a plebiscite. Despite their best efforts, these actions were to no avail. With the political actions all but exhausted, legal action was the only avenue left.

In December the CWB's eight pro-single desk directors filed a motion for an injunction against Bill C-18, the Marketing Freedom For Grain Farmers Act. However, on February 24<sup>th</sup>, Manitoba Court of Queen's Bench Justice, Shane Perlmutter, dismissed the motion. Perlmutter wrote that the legal test for any such injunction was whether the applicant would 'suffer irreparable harm' without the injunction. Against that measure,

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<sup>834</sup> "Delegation On To Ottawa," *News Release*, Canadian Wheat Board Alliance, November 15, 2011, accessed on May 25, 2012, <http://friendsofcwb.ca/news/news-releases/56-events-in-ottawa>.

Perlmutter wrote that the ex-directors case was weak. The judge added that it was far from clear that farmer's incomes would be compromised. Undeterred, the eight deposed pro-single desk directors appealed Perlmutter's decision in the Federal Court of Appeal on June 8<sup>th</sup>.<sup>835</sup>

## **7.6. CWB Reform: Termination of the Single Desk**

### ***7.6.1. Reform Legislation Receives Royal Assent and Reforms Begin***

The Marketing Freedom for Grain Farmers Act received Royal Assent on December 15<sup>th</sup>, 2012. The changes began immediately. As soon as Bill C-18 became law, the CWB's farmer elected directors were relieved of their duties, and the government appointed directors and CEO took control of the CWB. In late February the CWB announced that it would no longer be known as the 'Canadian Wheat Board,' after it was scheduled to relinquish its single desk on August 1<sup>st</sup>. The CWB would be known as simply 'CWB' in order to differentiate itself from the past, while maintaining some continuity.<sup>836</sup> Although it was expected that the CWB would be active in several crops, rather than just wheat, durum, and barley, it would market far less product than before. The CWB also underwent significant downsizing, as layoffs began late December 2011. It was expected that only 90 of the CWB's 430 employees would remain by early 2013. Moreover, it was projected that the CWB would only require one-and-a-half-floors, of the

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<sup>835</sup> "Appeal Launched In Manitoba Court," *Court Challenges*," Friends of the Canadian Wheat Board, June 8, 2012, accessed on June 17, 2012, <http://friendsofcwb.ca/battle/courtchallenges#classactiontitle>.

<sup>836</sup> "Canadian Wheat Board To Tweak Name," *Alberta Farmer*, February 29<sup>th</sup>, 2012, accessed on May 18, 2012, <http://www.albertafarmexpress.ca/news/canadian-wheat-board-to-tweak-name/1000949865/>.

office space in its eight-story building.<sup>837</sup> During the spring and summer, the CWB began entering into grain handling agreements with a few of the grain companies. On March 1<sup>st</sup> the CWB entered into a grain handling agreement with Cargill, which it stated would enable it to roll out a package of programs for farmers.<sup>838</sup> The CWB signed a grain handling agreement with Viterra on June 21<sup>st</sup>.<sup>839</sup> Under the agreement, Viterra would accept deliveries of grain that farmers commit to CWB contracts at all of its locations across western Canada.

### **7.6.2. Viterra Takeover**

The first major sign that the TNCs were about to takeover Canada's grains sector came on March 13<sup>th</sup>, when it was announced that Glencore had made a \$6.1 billion bid for Viterra Inc.<sup>840</sup> Viterra was Canada's largest grain handler at the time, as it controlled some 45 percent of the market. Viterra had already indicated that it expected to increase its grain volumes (increasing to 50 percent) and earnings (increasing by up to \$60 million per year), once the CWB's single desk was ended. Glencore was based in Switzerland and was the world's largest commodity grader. It had a 'controversial' reputation in

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<sup>837</sup> Murray McNeill, "Major CWB Layoffs Underway: Three Quarters of Staff Let Go," *Winnipeg Free Press*, May 9, 2012, accessed on June 17, 2012, <http://www.winnipegfreepress.com/business/major-cwb-layoffs-underway-150729905.html>.

<sup>838</sup> "CWB Announces Strategic Alliance For Grain-Handling With Cargill," *News Release*, Canadian Wheat Board, March 1, 2012, accessed on June 17, 2012, <http://www.cwb.ca/news/28/cwb-announces-strategic-alliance-for-grain-handling-with-cargill>.

<sup>839</sup> "Viterra and CWB Announce Partnership on Grain Handling," *News Release*, Canadian Wheat Board, June 21, 2012, accessed on June 27, 2012, <http://www.cwb.ca/news/22/viterra-and-cwb-announce-partnership-on-grain-handling>.

<sup>840</sup> Simon Casey and Hugo Miller, "Glencore Makes Bid For Viterra," *Leader Post*, March 12<sup>th</sup>, 2012, accessed on June 17, 2012, <http://www.leaderpost.com/business/Glencore+makes+Viterra/6286356/story.html>.

legal, environmental, and labour matters. On May 29<sup>th</sup>, Viterra's shareholders voted overwhelmingly to approve Glencore's takeover bid.<sup>841</sup> The vote required a two-thirds majority, and 99.8 percent voted to approve the bid. The federal government began the ultra secretive process of examining the bid in June, looking to ensure that the transaction would result in a 'net benefit' for Canada. On June 7<sup>th</sup>, Australia's competition regulator announced that it would approve the bid.<sup>842</sup> Viterra also had significant operations in that country.

### **7.6.3. Pro-CWB Coalition Legal Actions**

On December 7<sup>th</sup>, Federal Court Justice Douglas Campbell announced his ruling in the FCWB and CWB director's cases.<sup>843</sup> (The cases launched by the FCWB and the CWB directors were heard together by the Federal Court in Winnipeg, since they were identical). Campbell ruled that Ritz had breached the 'manner and form' of the law (Section 47.1 of the Canadian Wheat Board Act) by not holding a plebiscite prior to introducing Bill C-18 into Parliament. Campbell acknowledged that the CWB was unique because "...democratic values are already implemented in the structure of the

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<sup>841</sup> "Viterra Shareholders Approve Takeover By Glencore," *Globe and Mail*, May 29, 2012, accessed on June 17, 2012, <http://www.theglobeandmail.com/globe-investor/viterra-shareholders-approve-takeover-by-glencore/article4217705/>.

<sup>842</sup> "Australia's Competition Watchdog Approves Glencore Takeover Of Viterra," *Canadian Press*, June 7, 2012, accessed on June 18, 2012, <http://business.financialpost.com/2012/06/07/australias-competition-watchdog-approves-glencore-takeover-of-viterra/>.

<sup>843</sup> "Federal Judge Rips Ritz's Plans For CWB Reform," *Grainews*, December 7, 2012, accessed May 16, 2012, <http://www.grainews.ca/news/federal-judge-rips-ritzs-plans-for-cwb-reform/1000745316/>.

CWB. Not adhering to these values is not only disrespectful, it is contrary to law.”<sup>844</sup> Campbell added “the minister will be held accountable for his disregard of the rule of law.” The ruling did not impact Bill C-18 in any way. However, it did serve to give force to the pro-single desk side’s longstanding allegation that farmers’ democratic rights had been trampled upon.

The CPC government responded in a deliberately contradictory manner. On the one hand, it stated that the ruling did not matter and reiterated their long held line that they were given a mandate by prairie farmers in the previous election to reform the CWB. On the other hand, it launched an appeal of the Federal Court decision in the spring of 2012. In mid June 2012, the Federal Court of Appeal overturned the decision by Federal Court Justice Douglas Campbell.<sup>845</sup> The appeal court sided with the Harper government, stating that Ritz did not break the law when he introduced legislation to end the CWB’s single desk in October 2011. Campbell had ruled that Ritz contravened the Canadian Wheat Board Act, by not holding a farmer plebiscite prior to introducing the Marketing Freedom for Grain Farmers Act (Bill C-18). Federal Appeal Court Justice Robert M. Mainville stated that:

A provision requiring that legislation be introduced into Parliament only insofar as an outside corporation or small outside group agrees does not appear to me to be merely a procedural requirement. The effect of such a provision is to relinquish Parliament’s powers in the hands of a small group not forming part of Parliament. I seriously doubt such a provision could be

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<sup>844</sup> Friends of the Canadian Wheat Board v. Attorney-General of Canada, Canadian Wheat Board v. Minister of Agriculture [2011], FC 1432, December 7, 2011, accessed on May 16, 2012, <http://decisions.fct-cf.gc.ca/en/2011/2011fc1432/2011fc1432.html>.

<sup>845</sup> “Court of Appeal Overturns Wheat Board Ruling,” *Winnipeg Free Press*, June 18, 2012, accessed June 18, 2012, <http://www.winnipegfreepress.com/breakingnews/Court-of-Appeal-overturns-wheat-board-ruling-159489945.html>.

used to impede the introduction of legislation in Parliament or could result in the invalidation of any subsequent legislation adopted by Parliament.

The decision ended the only piece – albeit a very thin piece – of political lifeblood the pro-single desk groups had left.

Two class action lawsuits were launched in early 2012. First, Regina lawyer Tony Merchant filed a class action suit on January 9<sup>th</sup>, 2012. It argues that the federal government certainly have the ability to end the CWB's single desk, but doing so requires compensating farmers since they own the CWB's assets. The class action alleges that the CWB's assets include \$100 million in cash, more than 3,400 hopper cars, lake freighters, and an office building, which total \$15.4 billion.<sup>846</sup> While Merchant's lawsuit was considered opportunistic even by the pro-single desk coalition, the coalition did nonetheless view it as a reaffirmation of the CWB's value and the fact that the CPC government was stealing it from farmers.

The second class action lawsuit was launched by the FCWB on February 15<sup>th</sup>, 2012. The class action argues that when the federal government introduced Bill C-18, it violated the constitutional rights of farmers' freedom to associate, and their charter right to elect individuals to represent them in that association.<sup>847</sup> Therefore, the federal government must re-evaluate its approach to the CWB and reaffirm farmers' rights to have their voices heard on the CWB's continuance. In addition, the CWB must compensate farmers, to the tune of \$2.5 billion, for revenues, which had been lost due to the federal government's actions since December 15<sup>th</sup>, 2011. If the court finds that the

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<sup>846</sup> "Farmers Owed \$15 Billion, Wheat Board Suit Says," *Globe and Mail*, January 9, 2012, accessed on June 17, 2012, <http://www.theglobeandmail.com/news/politics/farmers-owed-15-billion-wheat-board-suit-says/article4085713/>.

<sup>847</sup> "Class Action Lawsuit," *Court Challenges*, Friends of the Canadian Wheat Board, February 15, 2012, accessed on June 17, 2012, <http://friendsofcwb.ca/battle/courtchallenges#classactiontitle>.

CWB was illegally dismantled, but that the passage of time and events have made its resurrection impossible, farmers must be paid \$17.5 billion in compensation for expropriated assets, and the loss of past and future earnings.

## **7.7. Conclusion**

The CWB's single desk was brought to an end on August 31<sup>st</sup>, 2011, after 68 years in existence. The end of the CWB's single desk came after a long period of destabilization, involving policy change and the disappearance of much of its support network in the prairie farm policy community, and the majority government victory of the Harper Conservative government. The Crow Rate, wheat pools, and CWB were sister mechanisms that not only provided a strong cooperative/collectivist presence in the farm policy community, but served to maintain the relative stability of the political economy of agriculture for prairie farmers and one another. Once the Crow Rate had been terminated, the political economic context began to change, leaving the CWB vulnerable. Although prairie farmers had continued to support the CWB in the director elections, they also continued to vote for political parties opposed to it. This contradiction could not go on indefinitely, and ultimately prairie farmers' choice of political party won the day.

With its single desk powers removed, the CWB's existence is unlikely to go on for much longer. The experience of Australia's wheat board is telling. In 2008, Australia removed the single desk from the Australian Wheat Board (AWB). The AWB was in a stronger position than the CWB, because it owned important assets, notably grain handling facilities. Nevertheless the AWB disappeared in less than three years, when it was bought up by Agrium in November 2010. The next month, Agrium sold the most of

the former AWB's grain selling, storing, and managing business to Cargill, which left it with the commodity-management and farm supply chain portions.<sup>848</sup> Indeed, Ritz has already indicated that there have been offers to purchase the CWB. The CWB is unlikely to last the five years it has been given to fully privatize.

The loss of the CWB's single desk will have important consequences for prairie farmers. In the big picture, the consequences are twofold. First, market power disparity between farmers and agribusiness corporations is now larger than ever. The purchase of Viterra by Glencore, discussed above, is sobering indeed. This event reveals the increase in the sheer power and control that TNCs will obtain in the prairie agriculture sector. Second, the cooperative tradition and influence within the farm community is greatly diminished, if not almost completely lost. If one looks at the prairie farm community today, the traditional strong cooperative institutions (e.g. wheat pools) have disappeared. Moreover, the principle of equality among farmers, embodied in the Crow Rate and CWB, is gone as well. Indeed, the growing influence of the neoliberal farm groups and principles is continuing apace.

In the smaller picture, the loss of the single desk will have three main consequences. First, farmers will no longer receive price premiums. Farmers will compete to sell their grain to a few buyers (a quasi-monopsony), who will be ensuring that any premiums generated on sales belong to them. Second, prairie farmers have lost an important form of risk management. The pools prevented the losses incurred by farmers forced to sell grain in low price periods, such as harvest, in order to generate much needed cash flow, removed the hazards of playing the price swings inherent in export grain farming, and placed farmers located further away from buyers on equal

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<sup>848</sup> "Agrium To Sell Most of Australian Wheat Board," *Canadian Broadcasting Corporation*, December 15, 2010, accessed on May 29, 2012, <http://www.cbc.ca/news/business/story/2010/12/15/agrium-awb-cargill.html>.



ground. Finally, farmers have lost a significant source of leverage in the grain handling, railway transportation, and GMO wheat arenas. The railways and grain companies now possess almost unprecedented power and control. There are effectively no mechanisms that can possibly hold them to account in the interests of farmers, to the degree that the CWB could. Moreover, the path is now clear for the introduction of GMO wheat. With the CWB no longer able to mount a strong and credible resistance, the private trade will have a much easier time with the political battle that will ensue. In light of these consequences, there can be no doubt that more prairie farmers will be forced to leave the land. Clearly a different approach to agriculture policy is needed. As the next chapter will show, neoliberal interests are in the process of completing their domination of the western Canadian farm policy community. However, it will also show that new ideas and approaches are rapidly developing at the other end of the food chain, and that a policy frontier has opened regarding the desire to create a national food policy that would encompass the entire agri-food system, from seed to plate.

## Chapter 8

### The Changing Farm and Food Policy Communities

#### 8.1. Introduction

The termination of the Canadian Wheat Board's (CWB) single desk has been followed by moves to fill the void in the wheat and barley sectors, with respect to industry development and farmer representation. In all three prairie provinces, farm groups and provincial governments have taken steps to establish commodity commissions for wheat and barley, similar to those found in other sectors such as canola. The work on establishing the commissions is dominated by the neoliberal and general farm groups. The neoliberal groups are moving forward with a model for the agriculture that they have long pushed for, while the general farm groups are participating as a way to remain relevant in the new context. The commissions represent the initial steps en route to the establishment of integrated commodity sector organizations where membership includes farmers, and corporations involved in the input supply, processing, handling and transportation subsectors. The integrated commodity sector model is designed to allow the representatives of the different subsectors to reach agreement on various issues (e.g. development and adoption of new technologies, market development, or grain handling processes) in order to present a coherent and united set of positions in economic and policy debates. However, there are significant dangers in this form of industry structure. The most important is the very significant power disparity between farmers and agribusiness corporations. Agribusiness corporations are in a position to provide more of the financial backing for these organizations, and to possess significant leverage vis-à-vis

farmers with respect to internal debates between the two sides. Moreover, the neoliberal orientation of the commissions means that they will advocate for the continued removal of policy protections for farmers. There is reason, therefore, for skepticism regarding whether integrated organizations (e.g. Canola Council of Canada and Pulse Canada) truly represent the interests of farmers and agribusiness corporations in equal measure. It is the view of this author that these organizations represent the latest form of cooptation of farmers by agribusiness.

Within the context of the neoliberal wave that is overtaking the western Canadian agriculture sector documented here, the collectivist farm organizations are struggling to remain relevant. They are now isolated as never before, as they their attempt to keep alive the expression of the distinct interests of farmers in agriculture. The Friends of the Canadian Wheat Board (FCWB) is holding onto the hope that its class action lawsuit regarding the CWB reform will be successful.<sup>849</sup> Its struggle is to keep farmers interested and committed in the time lag under way since the suit was launched. The Canadian Wheat Board Alliance (CWBA) is likely attempting to secure a commitment from the federal NDP and Liberal parties, to re-establish the CWB's single desk should either party win a majority government in the next election. Finally, while the National Farmers Union (NFU) has commented on the negative outcomes resulting from the CWB reform (e.g. the takeover of Viterra by Glencore), it has focused on other issues that will have impact on the Canadian agriculture sector such as the Canada-EU trade agreement

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<sup>849</sup> To recall the class action lawsuit was launched in mid-February 2012, on behalf of four plaintiffs (one from each province). The legal action aims to have the CWB's single desk restored and farmers compensated \$2.5 billion for lost revenue, or to have farmers compensated some \$17.5 billion if the passage of time and events have made its resurrection is impossible. "Class Action Lawsuit," *Court Challenges*, Friends of the Canadian Wheat Board.

negotiations, and the potential introduction of GMO alfalfa.<sup>850</sup> It appears as though the collectivist groups are now cornered into a defensive position, where they must fight for policy measures that have recently been lost, vigorously defend what remains, and oppose further neoliberal policy changes. They have been shut out of active participation in the policy development process in the western agriculture sector.<sup>851</sup>

At the same time a new form of extra-party political activity has emerged among food consumers, some of them belonging to a broad alternative food movement (AFM). The AFM, incorporating local groups typically supporting farmers markets and local/regional produce, and opposing the industrial food system, broadly represents a popular backlash against agribusiness and its impact on issues like food security, food safety, and environmental sustainability. Thus, the AFM represents the expression of distinct consumer and environmental interests regarding the food system. The AFM is active and growing across Canada, including all three prairie provinces, where activists have established local food councils and regional and national networks. These organizations have been actively developing value statements, food charters, and local and national food policy proposals. Indeed, a new policy frontier appears to have opened wherein both the AFM and neoliberal interests are developing different and competing national food policy proposals, in an attempt to shape the future directions of policy in the agri-food sector. Therefore, while neoliberal interests have all but succeeded in vastly narrowing the scope of debate in the western agriculture sector, there is a lively

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<sup>850</sup> “Canada-EU Comprehensive Economic and Trade Agreement,” *National Farmers Union*, accessed April 22, 2013, <http://www.nfu.ca/issues/canada-eu-comprehensive-economic-and-trade-agreement>; “GM Alfalfa Threatens Farmers’ Livelihoods,” *News Release*, National Farmers Union, March 14, 2013, accessed April 22, 2013, <http://www.nfu.ca/story/gm-alfalfa-threatens-farmers%E2%80%99-livelihoods>.

<sup>851</sup> In the past they had been involved in policy development consultations, and the operations and political activities of the Canadian Wheat Board and wheat pools.

competition between two competing views regarding food issues. It remains to be seen whether this debate will have any impact on policy debates in agriculture.

## **8.2. Closing the Circle: *Prairie Farm Policy Community Shifts to the Right***

### **8.2.1. *Provincial Wheat and Barley Commissions***

The termination of the CWB's single desk precipitated a move by the neoliberal and general farm groups, and provincial governments, to establish provincial wheat and barley commissions. These organizations will emulate the provincial commodity commissions already found in Alberta (e.g. Alberta Barley Commission, Alberta Canola Producers Commission, and Alberta Cattle Commission). The stated purpose of the proposed new wheat and barley commissions is to promote research, market development, branding, grain quality, and farmer advocacy.<sup>852</sup> The commissions will be funded via check-off mechanisms, wherein a portion of each sale of wheat or barley by a farmer is deducted, and distributed to the relevant commodity commission. A similar check-off for wheat and barley was previously administered by the CWB, which diverted most of the funds collected to the Western Grains Research Institute (WGRF), Canadian International Grains Institute (CIGI), and Canadian Malting Barley Technical Center (CMBTC). These organizations conducted research, plant breeding, market development, and technical assistance programs for cereal grains, for the benefit of western Canadian grain farmers. In recent years the check-off rates were 48 cents per

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<sup>852</sup> Phil Franz-Warkentin, "Prairie Wheat Commissions Under Construction," *Ag Canada.com*, May 10<sup>th</sup>, 2012, accessed on April 22, 2013, <http://www.agcanada.com/daily/prairie-wheat-commissions-under-construction/>.

tonne for wheat and 56 cents per tonne for barley.<sup>853</sup> In 2011, the WGRF received over \$6.1 million for wheat and almost \$700,000 for barley, from the check-offs for sales on those two crops in western Canada.<sup>854</sup> A farmer-elected board of directors will govern the new commissions, and be responsible for making decisions regarding their operations including the use of the check-off funds. It is unclear whether the WGRF, CIGI, and the CMBTC will retain the level of funding they have enjoyed in the past from the farmer check-offs, and whether they will continue on in their current form. The establishment of the commissions is developing at a different pace in each province.

In Alberta, the Alberta Barley Commission (ABC) immediately benefitted from the end of the single desk, when it was placed in charge of administering the check offs on wheat and barley sales that were previously handled by the CWB.<sup>855</sup> The ABC had already been administering a barley check-off in Alberta since 1991, and was viewed as the most viable immediate alternative due to the fact that it already possessed the capacity to administer a commodity check-off mechanism.<sup>856</sup> It will be recalled that the ABC had been in place since the 1970s. With respect to wheat, the Alberta government worked with the neoliberal and general farm groups to establish a wheat commission. The AWWPC, which opposed the CWB's single desk, had actually been working toward the establishment of a common wheat commission since 2008. The Alberta Wheat Commission's (AWC) steering committee included members representing the Alberta Winter Wheat Producers Commission (AWWPC), Alberta Soft Wheat Producers

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<sup>853</sup> *Wheat and Barley Check-off Overview*, Western Grains Research Foundation, accessed on April 22, 2013, <http://westerngrains.com/check-off/overview/>.

<sup>854</sup> Ibid.

<sup>855</sup> "Marketing Freedom Train on Track to Boost Research and Innovation," *News Release*, Agriculture and Agri-Food Canada, May 22, 2012, accessed on April 23, 2013, <http://news.gc.ca/web/article-eng.do?nid=676109>.

<sup>856</sup> As noted above, the CWB collective the check-off funds for barley in Manitoba and Saskatchewan.

Commission (ASWPC), Alberta Barley Commission (ABC), Alberta Canola Producers Commission ACPC), and the Western Grains Research Foundation. The group was also assisted by the Alberta Grains Commission (AGC), which is an arm of the Alberta Ministry of Agriculture.<sup>857</sup> At the time of this writing, the AWC had undertaken its inaugural elections for its board of directors, electing a board that includes current or former prominent members of the Wild Rose Agricultural Producers (WRAP), Grain Growers of Canada (GGC), Alberta Grain Commission (AGC), Western Canadian Wheat Growers Association (WCWGA), Alberta Canola Commission (ACC), the Alberta Barley Commission (ABC), and several farmers who have been involved in the anti-CWB single desk campaign but have not previously held positions with any farm groups.<sup>858</sup> There can be no doubt that it is a decidedly neoliberal-oriented organization. It should be noted that Alberta also simultaneously set up an Alberta Oats Commission (AOC).<sup>859</sup> Both the AWC and the AOC were established under the Marketing of Agricultural Products and Regulations Act. Under this legislation, the Agricultural Products Marketing Council “supervises the establishment and operation of the boards and commissions.”<sup>860</sup> If there was any question about the standing of the commissions vis-à-vis the Alberta government, it should end there. Thus, at the time of this writing,

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<sup>857</sup> Alexis Kienlen, “Alberta Growers Want Provincial Wheat Commission,” *AGCanada.com*, December 21<sup>st</sup>, 2011, accessed April 22, 2013, <http://www.agcanada.com/daily/alberta-growers-want-a-provincial-wheat-commission/>.

<sup>858</sup> “Alberta Wheat Commission Announces 2013 Board of Directors,” *News Release*, Alberta Wheat Commission, January 30, 2013, accessed on April 23, 2013, [http://www.albertawheat.com/wp-content/uploads/2013/01/130130-MR\\_AWC\\_DirectorsAnnounced\\_final.pdf](http://www.albertawheat.com/wp-content/uploads/2013/01/130130-MR_AWC_DirectorsAnnounced_final.pdf).

<sup>859</sup> “Alberta Creates New Wheat, Oat Commissions,” *Canadian Broadcasting Corporation*, July 31, 2012, accessed on April 23, 2013, <http://www.cbc.ca/news/politics/story/2012/07/31/calgary-albera-wheat-oats-commission.html?cmp=rss>.

<sup>860</sup> *Marketing of Agricultural Products Act and Regulations*. Revised Statutes of Alberta 2000, c.M-4, accessed April 23, 2013, <http://www.canlii.org/en/ab/laws/stat/rsa-2000-c-m-4/latest/rsa-2000-c-m-4.html>.

Alberta has successfully set up commissions to represent all of the grains handled by the CWB in recent decades. Here can be seen the final chapter in Alberta government's campaign to alter the makeup of the farm policy community so as to diminish the impact of collectivist institutions and voices, a campaign that first began in the early 1970s, as noted in Chapter 2.

In Saskatchewan, the governing Saskatchewan Party established steering Committees in October 2012, which were tasked with working with the Saskatchewan Ministry of Agriculture to establish permanent provincial wheat and barley commissions. It is notable that the steering committees and indeed the Saskatchewan Ministry of Agriculture itself, are heavily influenced by the thinking of the neoliberal farm groups. The Deputy Minister of Agriculture is a former Executive Director of the Western Canadian Wheat Growers Association (WCWGA). Five members of the wheat commission steering committee are prominent members of the WCWGA, Western Barley Growers Association (WBGA), and the Saskatchewan Canola Development Commission (SCDC).<sup>861</sup> The other two seats belong to the two general organizations still active in the province's agricultural debates: Agricultural Producers Association of Saskatchewan (APAS) and Saskatchewan Association of Rural Municipalities (SARM). While SARM considered is friendly to the rural dominated center-right Saskatchewan Party government, it will be recalled that APAS backed out of the CWB debate in November 2006, citing too much internal division amongst its members on the issue. Since the Marketing Freedom for Grain Farmers Act became law in August 2012, APAS has officially embraced the termination of the single desk, stating that the new legislation

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<sup>861</sup> "Sask. Gov't Forms Wheat, Barley Commission Committees," *Western Producer*, October 12<sup>th</sup>, 2012, accessed on April 22, 2013, <http://www.producer.com/daily/sask-govt-forms-wheat-barley-commission-committees/>.



“...provides wheat and barley producers new opportunities to keep their respective industries competitive and growing.”<sup>862</sup> Meanwhile, membership on the barley commission includes prominent members of the WCWGA, Saskatchewan Canola Growers Association, WBGA, APAS, and the Saskatchewan Stock Growers Association (SSGA).<sup>863</sup> Collectivist and non-aligned farmers, and organizations like the NFU, conversely, are not represented. The steering committees are aiming to have the commissions up and running by August 2013.<sup>864</sup>

In Manitoba, farm groups and the provincial government are in the process of establishing a single association to serve a role similar to that played by the wheat and barley commissions in Alberta and Saskatchewan. The steering committee includes members representing the Manitoba Pulse Growers Association (MPGA), the Manitoba Oat Growers Association (MOGA), Winter Cereals Manitoba (WCM), the Western Canadian Wheat Growers Association (WCWGA), while the interim chair represents the Keystone Agricultural Producers (KAP).<sup>865</sup> The interim board has already stated that the new organization will not debate policy, and leave those matters to organizations like the WBGA and NFU.<sup>866</sup> The decision is undoubtedly a compromise position that would allow the province’s wheat and barley sectors to take a similar path to the one taken in

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<sup>862</sup> “Saskatchewan Wheat and Barley Commissions: Creating A Stronger Voice for Wheat and Barley in Saskatchewan,” Agricultural Producers Association of Saskatchewan, November 2012, 2, accessed on April 22, 2013, <http://apas.ca/dbdocs//509985320dba3.pdf>.

<sup>863</sup> Ibid.

<sup>864</sup> Drew Postey, “Set Up Continuing for Saskatchewan Wheat and Barley Commissions,” *DiscoverWeyburn.com*, January 15, 2013, accessed on April 22, 2013, [http://www.discoverweyburn.com/index.php?option=com\\_content&task=view&id=22482&Itemid=332](http://www.discoverweyburn.com/index.php?option=com_content&task=view&id=22482&Itemid=332).

<sup>865</sup> Allan Dawson, “A New Wheat and Barley Association Another Step Closer,” *Manitoba Co-operator*, February 23, 2013, accessed on April 23, 2013, <http://www.manitobacooperator.ca/2013/02/23/a-new-wheat-and-barley-association-another-step-closer/>.

<sup>866</sup> Ibid.

Saskatchewan and Alberta, without stirring up the animosity that existed between the NDP provincial government and anti-CWB single desk farmers.

An important point must be made about the difference between commodity commissions and the CWB, with respect to the representation of the distinct interests of grain farmers in the agricultural economy and in policy debates. Through the CWB, farmers were able to wield real influence, given the market power of the single desk. By contrast, the commissions possess no such power. Normally any other advocacy or lobby organization must simply rely on currying the favour of other actors who do possess power, such as the federal Minister of Agriculture or a grain company. However, as will be seen, the new commissions will ultimately have to advocate for farmers within ‘integrated’ industry-wide organizations aimed at articulating a single set of economic and policy positions on behalf of entire agricultural commodity sectors.

### ***8.2.2. Toward the ‘Integrated’ Industry Model***

The development of commodity commissions in the wheat and barley sectors marks a shift to the ‘integrated’ industry model that is most advanced in the canola sector, but that also exists in other sectors such as pulse, flax, and beef. In the canola sector, the entire Canadian value chain is ‘integrated’ within singular umbrella organization known as the Canola Council of Canada (CCC). Unlike the Canadian Federation of Agriculture (CFA), membership in the CCC includes representatives of actors involved in all aspects of the canola industry (e.g. input supply companies, grain handling companies, exporters, processors, and food manufacturers), not just farmers. The CCC’s website declares that the organization is the “first industry association in Canada to encompass all links in the

value chain,” wherein members work together to develop a common position regarding the sector’s growth.<sup>867</sup> Thus, the CCC is able to express and push for a single, coherent set of economic objectives and policy positions. A distinct feature of the canola model is the fact that it is predominantly a GMO crop (around 90 percent of all canola grown in the prairie region is genetically modified<sup>868</sup>), and the major tie that binds farmers and the seed and chemical corporations is the ‘technology use contract.’<sup>869</sup> The crux of the contract is the legally binding agreement made by the farmer to use the Intellectual Property Rights embedded in the seed, and to not save seeds of the resulting crop for planting the following year. As a result, transnational corporations are more thoroughly involved in the sector, from seed to plate. It is no surprise therefore, that seed and chemical companies are heavily involved in the CCC, both on its board of directors and with respect to its finances.<sup>870</sup> While corporate involvement is most pronounced in the CCC, all of the integrated industry organizations include significant corporate involvement.

There are advantages and disadvantages to the integrated model for farmers. Advocates argue that there is more cooperation between the different players in each sector in an integrated model, given that differences can be resolved behind closed

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<sup>867</sup> Canola Council of Canada, *What We Do*, accessed April 24, 2013, <http://www.canolacouncil.org/what-we-do/canola-council-of-canada/>

<sup>868</sup> Hugh Beckie, K. Neil Harker, Anne Legere, Malcom J. Morrison, Ginette Seguin-Swartz and Kevin C. Falk, *Farm Policy Journal*, 8, 1, (Autumn Quarter 2011), 43, accessed April 24, 2013, [http://www.canolawatch.org/wp-content/uploads/2011/10/20110309\\_FPJ\\_Aut11\\_Beckie.et\\_al\\_.pdf](http://www.canolawatch.org/wp-content/uploads/2011/10/20110309_FPJ_Aut11_Beckie.et_al_.pdf).

<sup>869</sup> Technology Use Contracts are agreements that farmers sign, which permit them to use the Genetic Modification technology

<sup>870</sup> The Canola Council of Canada does not publish the details of its finances.

doors.<sup>871</sup> By contrast, differences within the western agriculture community tended to be aired out publically during the CWB single desk era, especially when it was governed by the farmer-elected board of directors, as documented in the previous two chapters. As a result, competitiveness and efficiency across the entire sector are maximized, because the different stakeholders are working together for mutual benefit, rather than duplicating their efforts or working inadvertently at cross-purposes.<sup>872</sup> While these certainly are persuasive arguments, they beg the question whether it really is possible for all the players in an agricultural commodity sector to reach complete agreement, or share common interests? In other words, what about the class interests of farmers vis-à-vis the input supply, grain handling, and processing corporations? One glaring factor regarding the integrated model might give reason for pause: the significant power imbalance between farmers and the agribusiness corporations who sell seed and fertilizer, and are monopsonistic buyers of their production. These are not, in other words, associations of equals. When considering whose interests these integrated organizations actually represent, the policy positions taken by them is very telling. In the political struggle over the CWB's single desk, for instance, the CCC, Pulse Canada, the Flax Council of Canada, sided with the anti-CWB single desk side. Finally, the 'integrated' model fits well with the federal government's longstanding habit of touting the profitability of entire commodity sectors as a sign of success, rather than the concern for the relative profitability of the different subsectors such as farmers.

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<sup>871</sup> Canola Council of Canada Presentation, *Pre-Budget Consultations 2012*, Standing Committee on Finance, accessed May 15, 2013, [http://www.parl.gc.ca/Content/HOC/Committee/411/FINA/WebDoc/WD5709773/411\\_FINA\\_PBC\\_2012\\_Briefs%5CCanolaCouncilofCanadaE.pdf](http://www.parl.gc.ca/Content/HOC/Committee/411/FINA/WebDoc/WD5709773/411_FINA_PBC_2012_Briefs%5CCanolaCouncilofCanadaE.pdf).

<sup>872</sup> Ibid.

Given the discussion above, the ‘integrated’ industry model can be viewed as the contemporary method through which farmers have been coopted, and their interests captured by agribusiness. This is why the commodity commissions are sometimes referred to as ‘commodity silos,’ in reference to the view that the commodity commissions divide farmers by their commodity specializations and compel them to identify more with the agribusiness corporations involved, rather than the broader class interests of farmers. As discussed in Chapter 2, in the post-war period many farmers began to identify more with the farm input supply corporations and their representatives, than their fellow farmers. Moreover, the creation of commodity commissions initiated by the Alberta government in the 1970s, effectively created a provincial farm policy network favourable to liberalized market objectives for the agriculture sector. The new commissions represent the expansion of that approach to the entire prairie wheat and barley sectors, and the ‘integrated’ model appears to be the maturation of the cooptation process. Therefore, the ideological bent of the new wheat and barley commissions should come as no surprise. Some analysts have wondered aloud why so many new commissions (one for each commodity and province) are needed.<sup>873</sup> Whether intentional or otherwise, one thing is certain: multiple commissions, all taking what is essentially a common ideological perspective, will serve to reinforce a sense that this perspective is widely shared amongst farmers. Moreover, they will serve to populate the farm policy community – the community that the government consults about policy - with a set of mutually supportive pro-free market voices. The establishment of the commissions and ‘integrated’ umbrella organizations will generate a symbiotic farm policy community,

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<sup>873</sup> Lyndsey Smith, “How Many Commissions Does Western Canada Need?,” *Realagriculture.com*, February 2013, accessed on May 15, 2013, <http://www.realagriculture.com/2013/02/how-many-commissions-does-western-canada-need/>.

across commodities and regions, which will be decidedly neoliberal in ideological orientation and wherein the identity of farmers as a class with its own distinct interests will cease to exist.

There are strong indications that the wheat and barley sectors are following the ‘integrated’ industry model taken in the canola, pulse, and flax sectors. In fact, the process has already begun in the barley sector. On April 17, 2013 the Barley Council of Canada (BCC) was officially incorporated.<sup>874</sup> The creation of the BCC was the culmination of a process initiated by the Western Barley Growers Association, which sought to investigate a different industry structure for the barley sector.<sup>875</sup> The resulting report recommended the creation of a single national industry-wide voice through an organization like the BCC.<sup>876</sup> Moreover, the establishment of the BCC was facilitated and administered by the Alberta Barley Commission (ABC).<sup>877</sup> The BCC will include representatives (one-half farmers and one-half industry representatives) of the entire cross-Canada barley sector value chain. The BCC will focus on five areas: innovation and research, best crop production practices, market development, market access, and collaboration among representatives of the barley value chain. The current chairman of the BCC is a former President of the WBGA, and the board of directors include a former representative of the Western Canadian Wheat Growers Association (WCWGA), a

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<sup>874</sup> “First National Barley Chain Council Officially Incorporates,” *Canada Newswire*, April 17, 2013, accessed May 19, 2013, <http://www.newswire.ca/en/story/1147765/first-national-barley-council-officially-incorporates>.

<sup>875</sup> “Barley Council of Canada,” *Western Barley Growers Association*, accessed May 16, 2013, [http://www.wbga.org/barley\\_council.pdf](http://www.wbga.org/barley_council.pdf).

<sup>876</sup> Russ Crawford, John De Pape, and Brian MacKenzie, *Business Case Assessment of the Western Canadian Barley Sector: In Search of the Optimal Marketing Structure*, (Airdrie: Western Barley Growers Association, March 2012), accessed on May 16, 2013, <http://www.wbga.org/BusinessCaseAssessment.pdf>.

<sup>877</sup> “Barley Council of Canada,” *Western Barley Growers Association*.

current representative of the Keystone Agricultural Producers (KAP), a current member of the Alberta Barley Commission (ABC), and representatives of Canada Malting, BARI Canada Inc., Western Feedlots, Cargill Canada, Croplife, and the University of Saskatchewan.<sup>878</sup> It should be noted that the BCC will be funded via membership fees. The BCC will be funded via membership fees, though it is not clear whether farmers and corporations will contribute similar proportions of the organization's funds.

The development of a national 'integrated' organization in the wheat sector has not yet occurred. However, on May 17<sup>th</sup>, 2013 the federal government announced the creation of a Canadian Wheat Alliance (CWA), which will include the Government of Canada (National Research Council of Canada and Agriculture and Agri-Food Canada), the Government of Saskatchewan, and the University of Saskatchewan.<sup>879</sup> The alliance will invest a total of \$97 million (\$85 million by the federal government; \$10 million by the Saskatchewan government; and, \$1.4 million by the University of Saskatchewan) in order to develop new varieties of wheat that will be more resistant to extreme weather and diseases. Importantly, the announcement included the statement that the CWA will 'work collaboratively' with private sector organizations,<sup>880</sup> and comes on the heels of an announcement that the National Research Council of Canada will be moving away from a

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<sup>878</sup> "Barley Council of Canada Announces Board of Directors," *News Release*, Barley Council of Canada, February 28, 2013, <http://www.albertabarley.com/documents/NRforBCCBoard.pdf>.

<sup>879</sup> Scott Larson, "Wheat Alliance To Help Develop New Varieties," *Star Phoenix*, May 16, 2013, accessed May 16, 2013, <http://www.thestarphoenix.com/business/Wheat+alliance+help+develop+varieties/8397658/story.html>; "Canada To Improve Yield, Sustainability and Profitability of Canadian Wheat," *News Release*, Government of Saskatchewan, May 16, 2013, accessed May 16, 2013, <http://www.gov.sk.ca/news?newsId=8e41e3eb-4565-435c-8e9a-c81cfb673fd8>.

<sup>880</sup> *Ibid.*

focus on basic science toward ‘business-friendly research.’<sup>881</sup> While public investment in agriculture would generally be a positive development, there is significant cause for concern that the public investment will ultimately be for private gain and that the door to the adoption of GM technology in the wheat sector is opening. The development of the CWA and the provincial commissions may indeed prove to be the beginning of the formation of an ‘integrated’ national wheat sector organization.

There can be no doubt that the prairie farm policy community is being reshaped in profound ways. The development of the ‘integrated’ model in the barley and wheat sectors is particularly significant when one considers that this industry structure<sup>882</sup> would then dominate almost the entire annual prairie crop. It may not be long before governments no longer consult with farmers at all when making agriculture policy, but rather just the ‘integrated’ organizations representing entire commodity sectors. This marks the culmination of a process that had begun in the late 1980s, when the federal government began to include input suppliers, processors, and transportation corporations in agriculture policy consultations, a process that served to dilute the voice of farmers. In the meantime, the farm organization that the federal government does consult with, the Grain Growers of Canada (GGC) is fully supportive of these developments. The GGC, it will be recalled, is a national umbrella farm organization, which represents the various neoliberal crop commodity organizations and became the Harper Conservative government’s ‘go to’ farm organization in the grains sector during the CWB political battle. The CCG has since been heavily involved in the policy developments concerning the Canadian Grain Commission, Growing Forward II, and trade liberalization issues

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<sup>881</sup> Tyler Dawson, “National Research Council’s Business-Friendly Overhaul Gets Mixed Reviews,” *Ottawa Citizen*, May 8, 2013, accessed May 16, 2013, <http://www.ottawacitizen.com/business/National+Research+Council+gets+business+friendly+overhaul/8348389/story.html>.



(e.g. north-south grain flow in the post CWB single desk context). If that were not enough, there is evidence that a single umbrella organization is being created to encompass all of the former CWB crops. On January 31<sup>st</sup>, 2013, the Cereals Council of Canada registered as a lobbyist with the federal government. The organization is still in its infancy, and thus not yet incorporated, but like the Canola Council of Canada, it includes both farm groups and agribusiness corporations.<sup>883</sup> On the outside looking in, are the collectivist farm groups.<sup>884</sup> They are the last remaining organizations that represent a distinct farmer interest, and that maintain the collectivist ideological tradition. It is to their situation this discussion now turns.

### **8.2.3. Collectivist Farm Groups**

With the neoliberal ‘integrated’ model coming to fruition in the grains sector, the collectivist farm groups are attempting to stem the neoliberal tidal wave overtaking the

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<sup>883</sup> At the time of this writing the members of the Canola Council of Canada included the Alberta Barley Commission, Barley Council of Canada, Western Canadian Wheat Growers Association, Keystone Agricultural Producers, Canadian Wheat Board, Syngentia Canada, BASF, Beyer Crop Science, Cargill, and 20 other organizations. “New Cereals Council of Canada – The Best Corporate Lobbying Your Check-off Dollars Can Buy,” *Union Farmer Monthly*, 61, 3 (May/June 2013), 4, accessed on June 18, 2013, [http://www.nfu.ca/sites/www.nfu.ca/files/UF\\_MAY\\_JUNE\\_2013.pdf](http://www.nfu.ca/sites/www.nfu.ca/files/UF_MAY_JUNE_2013.pdf); 12-Month Lobbying Summary-Consultant, Cereals Council of Canada/Judy Shaw, Office of the Commissioner of Lobbying of Canada, last updated April 15, 2013, accessed June 18, 2013, [https://oclc-cal.gc.ca/app/secure/orl/lrrs/do/clntSmmry;jsessionid=0001NAul2rR98RBS556bO9gajKy:-I00TE?clientNumber=309165&sMdKy=1371601679299](https://oclc.cal.gc.ca/app/secure/orl/lrrs/do/clntSmmry;jsessionid=0001NAul2rR98RBS556bO9gajKy:-I00TE?clientNumber=309165&sMdKy=1371601679299).

<sup>884</sup> It should be noted that the Canadian Federation of Agriculture (CFA) is also being kept at arms-length by the Harper Conservative government. The CFA was formerly the ‘go to’ farm organization of the previous federal Liberal governments, and many consider it to be the national voice for the supply management sectors. The CFA may be undergoing a particularly acute internal struggle during this time of change.

As noted above, its prairie affiliates (Wild Rose Agricultural Producers, Agricultural Producers Association of Saskatchewan, and Keystone Agricultural Producers) are involved in the development of the neoliberal wheat and barley commissions. It remains to be seen whether the CFA can effectively manage the clearly dichotomous positions being taken by the prairie general farm groups on the one hand, and the supply management organizations on the other.

prairie agriculture sector. It is no exaggeration to state here that they are isolated within the western farm policy community, as never before. There now remains only the National Farmers Union (NFU), Canadian Wheat Board Alliance (CWBA), and Friends of the Canadian Wheat Board (FCWB). The precariousness of the situation that the CWB-devoted groups now find themselves in is highlighted by their respective names, which include the 'CWB' acronym. Of course, the 'CWB' acronym is the name of the Canadian Wheat Board's voluntary successor organization associated with Conservative Agriculture Minister Gerry Ritz.<sup>885</sup> While the future of these organizations remains unclear, some likely scenarios can be surmised based on the purpose of the organizations, and the events of the past.

The FCWB is currently devoted to the last remaining front still open in the CWB struggle: the class action lawsuit that it launched during the winter of 2012. As with any legal action, there is a long time lag between its launch and the final decision. Given that the class action suit is part of a political struggle, the challenge for the FCWB will be to keep the CWB relevant in the rapidly changing context described above, which has been made more difficult for them by the current relatively high crop commodity prices. Farmers are notorious for becoming politically pacified during periods of higher prices, as exemplified perhaps no better than during the buoyant price period of the mid-1990s when western farmers did little to oppose of the termination of the Crow Benefit.<sup>886</sup> It is entirely plausible to assume that the FCWB will cease operations if the class action suit is lost, especially since many farmers have already donated extensively to its legal activities

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<sup>885</sup> To recall, after the Canadian Wheat Board's single desk was terminated, the organization made the decision to simply go by the name 'CWB' in order to signal both continuity with the past, and the organization's new activities buying and selling several crops including canola.

<sup>886</sup> The buy out payments documented in Chapter 4 also played some role in farmers' relative lack of protest to the Crow Benefit's termination.

during the CWB struggle. The CWBA is supporting the legal actions of the FCWB, and is almost certainly pressuring the NDP and Liberal opposition parties to commit to make specific policy commitments (including the reestablishment of the CWB's single desk), should either of them form a government after the 2015 federal election.<sup>887</sup> Such a win by either party, or a coalition consisting of them both, would likely breathe new life into the CWBA, as it would have the ear of the federal government at least to some degree, and its members would be motivated by the perception that the CWB's reestablishment were a real possibility. However, if the Conservative Party were to win another majority government, the neoliberal changes would continue, the CWB would likely cease to exist altogether, and the CWBA's *raison d'être* would be lost. In such a context, it is likely that the CWBA would disappear.

The NFU, on the other hand, has been active in several issues affecting farmers throughout the country, as well as on the CWB file. The NFU's members have supported the activities of the FCWB and the CWBA, and the organization has issued statements concerning Glencore's takeover of Viterra, as well as concerns about the quality of Canadian wheat expressed by China and the Canadian Millers Association. The NFU has also been actively opposing the changes to the Canadian Grain Commission and farm subsidy programs, and it has been actively participating in coalitions opposing the introduction of GMO alfalfa and opposing pro-free market trade agreements with the European Union (CETA) and countries located around the Pacific Ocean (Trans-Pacific Partnership). Like the CWBA, the NFU would receive a significant boost from an NDP or Liberal party victory in the 2015 federal election, given that it is likely that it would again be invited to consult with the Canadian government concerning agriculture policy.

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<sup>887</sup> "A Word From Matt Gehl, Region 6 Board Member," *Union Farmer Quarterly*, 19, 1 (Spring 2013), 10, accessed May 15, 2013, <http://www.nfu.ca/sites/www.nfu.ca/files/UFQ%20SPRING%202013%20FOR%20WEBSITE.pdf>.

However, another Conservative Party victory would almost certainly result in the NFU's further isolation. While it could retain a reason for being, simply as a voice for farmers' collective interests, due to its reach beyond simply the CWB issue, it would become increasingly isolated as neoliberal changes continued with respect to agriculture policy and the farm community. Thus, with two years until the next federal election, the question becomes how do the collectivist farm groups remain relevant and viable within agricultural policy debates? One answer, perhaps, lies in connecting with the growing critical energy and activity taking place among food consumers.

### **8.3. Political Activity Among Consumer Groups: *The Politicization of Food***

#### **8.3.1. *The Alternative Food Movement: Introduction***

While the recurrent 'farm crisis' detailed at length in previous chapters is primarily a producers' crisis, having to do with the continuing challenges that many farmers face simply staying in business, despite (or because of) shifts in government policies with respect to farm subsidies, there are also crises developing at the 'downstream' end of the agri-food sector, crises that follow from the nature and the costs to consumers of the food that is produced. Scholars and food activists have identified crises relating to food security, food safety, and the apparent growth of food related allergies and illnesses, even in an affluent country like Canada.<sup>888</sup> In response, an alternative food movement (AFM) has emerged and is rapidly developing in the prairie

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<sup>888</sup> Examples include scholarly works such as *Food Sovereignty In Canada: Creating Just and Sustainable Food Systems*, ed. Annette Aurelie Demarais, Nettie Wiebe, and Hanah Wittman, (Winnipeg: Fernwood Publishing, 2011), and alternative food movement organizations such as Food Secure Canada and Food Secure Saskatchewan.

provinces, and indeed across Canada. Organizations have been established at the local and regional level, such as food councils, and initiatives such as food charters proposed. Most of these undertakings focus on the problem of access to food by impoverished citizens (food security), and/or the need to develop local food systems. Some use the language of ‘food sovereignty’, asserting that nutritious and culturally appropriate food is a human right, that local food systems should be preserved and/or developed, and that food production should follow natural processes and protect the environment. In response, some municipal governments have been persuaded to adopt local food security strategies and ‘food charters.’ Local AFM organizations are also building networks across Canada, and promoting nation-wide initiatives, notably a national food policy (NFP) proposal that takes on both the producer crisis *and* the food crisis that AFM activists believe to be afflicting the current food system. However, as will be shown, organizations representing neoliberal interests have also advanced NFP proposals of their own, and while these differ in some fundamental ways from those advanced by the AFM – notably in their assumption that the best solutions will be market-based solutions - they share a conviction that the problems in our agri-food system will only get worse if they are not addressed soon. Indeed, it can be suggested that the race to define a NFP for Canada represents a new ‘policy frontier’, where groups with very different interests and agendas, and markedly different ideological perspectives, are competing to influence future government policy. The following section examines the state of the AFM in the three prairie provinces, and these national food policy proposals.

### 8.3.2. *Manitoba*

The provincial network organization currently active in Manitoba is known as Food Matters Manitoba (FMM). FMM's core objectives include: 1) raising awareness and educating Manitobans about food security and the sustainability of the province's food systems; 2) strengthening capacity and networks among groups and individuals working on food security issues; and, 3) providing a common focus for action through the Manitoba Food Charter (MFC).<sup>889</sup> The main activities of FMM are the publication of critiques of the current industrial food system, developing strategies for taking action in ways consistent with the values of FMM, organizing conferences and meetings to assist in the realization of food security in Manitoba, and undertaking various projects that reflect the values outlined in the MFC.<sup>890</sup> The development of the MFC was the result of nearly a decade of research and meetings, led by a volunteer Steering Committee made up of peoples involved in Food Secure Canada.<sup>891</sup> The Steering Committee met with over 70 groups of peoples representing all regions of the province, and involved in all aspects of the province's food system, including farmers. In 2004, the project became formalized as a provincial organization, known as Food Matters Manitoba. The charter enshrined seven principles, which are anchored on the central themes of the AFM outlined above, but also include the need for all participants in the food chain to make adequate incomes, the preservation of the traditional practices of First Nations and Metis, access to

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<sup>889</sup> "Our Mission, Vision, and Goals," *Food Matters Manitoba*, accessed February 2, 2012, <http://www.foodmattersmanitoba.ca/content/our-mission-vision-and-goals>.

<sup>890</sup> "Projects," *Food Matters Manitoba*, accessed February 2, 2012, <http://www.foodmattersmanitoba.ca/content/our-most-recent-projects>.

<sup>891</sup> "History of the Manitoba Food Charter," *Food Matters Manitoba*, accessed February 2, 2012, <http://www.foodmattersmanitoba.ca/content/history-manitoba-food-charter>.

information regarding the food that is available, and the need for balance between fair trade and local production.<sup>892</sup>

The food activists associated with FMM have also established a university-based research organization known as the Manitoba Alternative Food Research Alliance (MAFRA). MAFRA's office is located on the University of Manitoba campus, and involves roughly 10 academics and 10 students at any given time. The goal of MAFRA is to "explore the roles of local food initiatives, community food security, and food sovereignty in fostering alternative food systems and food justice within and among rural, urban, and northern regions in Manitoba and beyond."<sup>893</sup> MAFRA's projects include a variety of community garden programs, school garden programs, community food justice roundtables.<sup>894</sup> AFM activists in Winnipeg also launched the Winnipeg Food Policy Working Group (WFPWG) in 2010, which they describe as being "an ad hoc committee of Winnipeggers who believe that food security is an important issue for the city of Winnipeg to address."<sup>895</sup> The working group's vision is for "a just and sustainable food system for the City of Winnipeg," and its purpose is to promote food security initiatives and to encourage the City of Winnipeg to adopt a food policy council.<sup>896</sup> The working group has attempted to draw attention to food issues in political contests, by asking

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<sup>892</sup> "Manitoba Food Charter," *Food Matters Manitoba*, accessed February 2, 2012, <http://www.foodmattersmanitoba.ca/sites/default/files/Final%20English%20Manitoba%20Food%20Charter.pdf>.

<sup>893</sup> "Academic Summary," *Manitoba Alternative Food Research Alliance*, accessed February 2, 2012 <http://www.localandjust.ca/about/summary/>.

<sup>894</sup> "Projects," *Manitoba Alternative Food Research Alliance*, accessed February 2, 2012, <http://www.localandjust.ca/projects/2012-community-projects/>.

<sup>895</sup> "About Us," *Winnipeg Food Policy*, accessed February 3, 2012, [http://www.winnipegfoodpolicy.org/?page\\_id=10](http://www.winnipegfoodpolicy.org/?page_id=10).

<sup>896</sup> Ibid.

candidates in municipal elections to answer a series of question regarding food issues which it then posted on its website.

### **8.3.3. Saskatchewan**

The provincial level AFM organization in Saskatchewan is Food Secure Saskatchewan (FSS), which was established in 2006 following a series of roundtable meetings held throughout the province over the previous two years.<sup>897</sup> The meetings were devoted to identifying the challenges facing the province’s food system, and exploring solutions. FSS’s membership includes community-based organizations, nutritionists, health professionals, hunger groups, First Nations representatives, government departments, community leaders, and some farmers. The principles of FSS are as follows: “all citizens will have just and dignified access to food; food will be safe, nutritious and culturally appropriate; and, local food distribution and local producers will be supported.”<sup>898</sup> The purpose of FSS is to work towards the “development of a comprehensive, integrated food security strategy.”<sup>899</sup> The main activities of FSS include promoting and supporting food security initiatives within the province, assisting in the knowledge and skill development among those working on food security issues in the province, and working with Food Secure Canada.<sup>900</sup> Other activities of FSS have

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<sup>897</sup> “History,” *Food Secure Saskatchewan*, accessed on February 21, 2012, <http://www.foodsecuresaskatchewan.ca/about-fss/history>.

<sup>898</sup> “About Food Secure Saskatchewan,” *Food Secure Saskatchewan*, accessed on February 21, 2012, <http://www.foodsecuresaskatchewan.ca/about-fss>.

<sup>899</sup> Ibid.

<sup>900</sup> Ibid.



included the publication of reports and gardening and harvesting resources, as well as an annual conference.

Three food charters have been established in Saskatchewan to this point. The Saskatoon Food Charter was the second food charter established in the country, (the first was the Toronto Food Charter). The charter was developed by the Saskatoon Food Coalition<sup>901</sup> in partnership with almost 20 other organizations representing poverty groups, health organizations, and farmers. The principle expressed in the charter state that food is a basic right, local food is important, food production must be environmentally sustainable, food has many dimensions (i.e. physical, social, mental, emotional, and cultural), economic barriers (i.e. poverty) should not impede access to safe and nutritious food, and globalization should not compromise any of the charter's principles.<sup>902</sup> The Saskatoon Food Charter was adopted in principle by the Saskatoon City Council in 2002, and commits it to carry out 12 specific actions. These actions include upholding "the right of all residents to adequate amounts of nutritious, safe, accessible, culturally acceptable food" and promoting local food systems.<sup>903</sup>

The other municipal charter in Saskatchewan is the Prince Albert Food Charter (PAFC), which was established in the spring of 2003. The PAFC emphasizes issues that are representative of the food insecurity problem in the city, most notably the inability of

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<sup>901</sup> The Saskatoon Food Coalition is comprised of the Affinity Credit Union, Beyond Factory Farming, CHEP Good Food, Core Neighbourhood Food Co-operative, Heifer International, Oxfam Prairie Region, Saskatoon Council for International Cooperation, Saskatoon District of Labour Council, Saskatoon Food Bank and Learning Center, Saskatoon Healthy Region, Food Secure Saskatchewan, Saskatchewan Healthy Region, Saskatchewan Organic Directorate, UofS Horticultural Student's Club. "Participants," *Saskatoon Food Coalition*, accessed February 22, 2012, <http://www.saskatoonfoodcoalition.ca/page/participants>.

<sup>902</sup> "Saskatoon's Food Charter," *Saskatoon Food Coalition*, accessed February 22, 2012, <http://www.saskatoonfoodcoalition.ca/page/saskatoons-food-charter>.

<sup>903</sup> Ibid.

some families to afford enough nutritious food. While the PAFC does not include a list of principles however, it does list 14 specific actions that should be undertaken by the community in order to ensure food security for everyone.<sup>904</sup> These actions are ensuring that every child has access to nutritious food, providing education programs that foster learning about healthy food preparation and eating habits, and the establishment of agreements with other municipalities in order to create a sustainable regional food system. The final food charter is the Northeast Saskatchewan Food Charter (NSFC), which was established in June 2011. It is comprised of five principles including the assertion that food is a basic right, ensuring local self-reliance by linking farmers and consumers, the importance of food to social and cultural well being, the importance of healthy eating to the health of a region's population, and the demand that all international agreements respect the right to food.<sup>905</sup>

The activities of the AFM have led to some initiatives within the province. In Saskatoon, for instance, there has been some progress regarding the actions listed in the Saskatoon Food Charter. An inner city non-for-profit grocery store called the Good Food Junction opened its doors in October 2012, in the new Station 20 West community center. The City of Saskatoon sold the land to the Station 20 West project board for \$1, provided that the latter could raise the \$6 million required for the construction of the building. The purpose of the Good Food Junction is to ensure that vulnerable peoples in the city's core neighbourhoods have access to a grocery store. Saskatoon's core and surrounding

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<sup>904</sup> *Prince Albert Food Charter*, accessed on February 22, 2012, [http://www.foodsecuritynews.com/presentations/PrinceAlbert\\_Food\\_Charter.pdf](http://www.foodsecuritynews.com/presentations/PrinceAlbert_Food_Charter.pdf).

<sup>905</sup> *North East Food Charter*, accessed on February 22, 2012, <http://www.justfood.ca/foodforall/wp-content/uploads/documents/FFAcharter.pdf>.

neighbourhoods had previously been described as a ‘food desert.’<sup>906</sup> It should be noted that although the Saskatoon City Council adopted the charter, including the 12 specific actions included in it, its role has been largely passive in character. Most of the activity and leadership has been generated by the voluntary, non-profit sector, and local businesses.

#### **8.3.4. Alberta**

The provincial network organization in Alberta is called Growing Food Security in Alberta (GFSA), which was established in 2003 by the Provincial Nutritionists of Alberta and Dieticians of Canada. The GFSA’s mission is to engage all of the province’s citizens “in strategies to ensure secure access to adequate amounts of safe, nutritious, culturally appropriate food for everyone, produced in an environmentally sustainable way and provided in a manner that promotes human dignity.”<sup>907</sup> Since its inception, GFSA has focused its efforts on assisting communities with building capacity to address food security by learning about good health, finding local solutions, and developing plans of action; developing a “well-planned, viable, and equitable food system for rural Alberta that identifies and implements local and regional food system opportunities.”<sup>908</sup>

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<sup>906</sup> A “food desert” is a geographic area in a developed country where healthy and affordable food is unavailable, but unhealthy and highly processed food is.  
Rachel Engler-Stringer and Justin Harder with the Saskatoon Food Coalition, “Toward the Implementation of the Saskatoon Food Charter: A Report, Community-University Institute for Social Research, University of Saskatchewan, 2011: 20, available at <http://www.saskatoon.ca/DEPARTMENTS/City%20Clerks%20Office/Documents/Reports%20and%20Publications/SaskatoonFoodCharter.pdf>.

<sup>907</sup> “About Us,” *Growing Food Security In Alberta*, accessed February 23, 2012, <http://www.foodsecurityalberta.org/about>.

<sup>908</sup> Ibid.

There are also local AFM organizations in Alberta. Based in Medicine Hat is the Community Food Connections Association (CFCA). The CFCA is committed to the belief that food is a right, and it works collectively on issues concerning food, nutrition, health, social justice, and local agriculture.<sup>909</sup> Its activities are based on the principles and actions expressed in the Medicine Hat Food Charter (MHFC), which are that access to nutritious food is a right of every citizen, food is important for the health and well being of citizens, food is central to the city's economy, and food is central to citizens' social and cultural relations.<sup>910</sup> The CFCS attempts to put the MHFC into action through initiatives such as bulk buying, community kitchens, and community gardens. In Calgary, the Calgary Food Policy Council (CFPC) is active in working “with community groups to help solve the hunger problem, work with food companies to foster more nutritious products and services, and work with farmers to develop environmentally and socially sustainable growing systems.”<sup>911</sup> The CFPC's principles include the importance of local food systems, the need for a whole-system approach in order to ensure that the food system is environmentally sustainable, the assertion that food is a basic human right, the need for all segments of the community to work together in realizing food security, and the importance of celebrating the important social and cultural role of food. Similarly, Sustainable Food Edmonton (SFE) is a municipal umbrella organization that operates three initiatives in the city: teaching citizens about where food comes from and how it is produced, promoting the development of community gardens, and an indoor gardening

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<sup>909</sup> “About,” *Community Food Connections Association*, accessed on February 22, 2012, <http://www.foodconnections.ca/>.

<sup>910</sup> *Medicine Hat Food Charter*, accessed on February 22, 2012, <http://www.foodconnections.ca/food-charter.html>.

<sup>911</sup> *Calgary Food Policy Council*, accessed on February 22, 2012, <http://calgaryfoodpolicy.blogspot.ca/2009/02/info-on-cfpc-update-17feb09.html>.

program.<sup>912</sup> Another organization in Edmonton is Just Food Edmonton (JFE), which aims to promote and undertake food security projects in Edmonton and to work with other organizations to these ends.<sup>913</sup>

There is evidence that the above AFM activities have helped to spur the development of municipal level policy initiatives in Alberta. The City of Edmonton has begun a comprehensive Food and Urban Agriculture Strategy called ‘Fresh’ that was approved by City Council in November 2012. An Advisory Committee was established in October 2011, and a consultation process involving over 3,000 Edmontonians was carried out thereafter.<sup>914</sup> ‘Fresh’ advances nine strategic directions: 1) establish the Edmonton Food Council and an Edmonton Food Charter by June 2013<sup>915</sup>; 2) Provide Food Skill Education and Information; 3) Expand Urban Agriculture; 4) Develop Local Food Infrastructure Capacity; 5) Grow Local Food Supply and Demand; 6) Enliven the Public Realm Through A Diversity of Food Activities; 7) Treat Food Waste as a Resource; 8) Support Urban Farmers and Ecological Approaches to Farming; and 9) Integrate Land Use for Agriculture.<sup>916</sup>

The City of Calgary has also begun to take action regarding food security, with the launch of the ‘Calgary Food System Assessment and Action Plan.’ The action plan is the result of a process carried out by the Calgary Food Committee, which was established

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<sup>912</sup> *Sustainable Food Edmonton*, accessed January 16, 2013, <http://sustainablefoodedmonton.org/>.

<sup>913</sup> “About,” *Just Food Edmonton*, accessed on January 16, 2013, <http://justfoodedm.wordpress.com/about/>.

<sup>914</sup> *Fresh: Edmonton’s Food and Urban Agriculture Strategy*, October 2012, 12, accessed on January 16, 2013, [http://www.edmonton.ca/city\\_government/documents/FRESH\\_October\\_2012.pdf](http://www.edmonton.ca/city_government/documents/FRESH_October_2012.pdf).

<sup>915</sup> The objective of establishing an Edmonton Food Council and Edmonton Food Charter were originally included in the key directions of the City of Edmonton’s Municipal Development Plan entitled *The Way We Grow*, which was approved by Edmonton’s City Council in late May 2010. *Ibid.*, 27-28.

<sup>916</sup> *Ibid.*, 21.

by the City of Calgary's Office of Sustainability.<sup>917</sup> The Food Assessment Action Plan was established in order to evaluate the current food system and examine food issues, and it identifies existing barriers and assets and provides information regarding connections and gaps within the food system. Its vision is to create a sustainable and resilient food system within the Calgary region. The result was the 'CalgaryEats! Calgary Food System Assessment and Action Plan,' which is a very comprehensive overview of Calgary's food system. The document acknowledges that a "disconnect between the consumer and producer has grown over the last 50 years through intensification and globalization of the food system," and that the knowledge and awareness of food systems by citizens and policy makers has declined.<sup>918</sup> Moreover, the document states that citizen action and demand have spurred increased awareness about the value of a sustainable food system and the need for the city to take action.<sup>919</sup> Taken together, these developments arguably reveal significant momentum in the area of local food security in Alberta.

### **8.3.5. Other Provinces**

It should be noted that the AFM in Canada is most highly developed in Ontario and British Columbia. Ontario possesses a provincial network organization known as

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<sup>917</sup> *Calgary Food System Assessment and Action Plan*, accessed on January 16, 2013, <http://www.calgary.ca/CA/cmo/Pages/Calgary-Food-System-Assessment-and-Action-Plan.aspx>.

<sup>918</sup> *Calgary Eats: A Food Assessment and Action Plan for Calgary*, (Calgary: City of Calgary, May 29, 2012), 225, accessed January 16, 2013, <http://www.calgary.ca/CA/cmo/Documents/CalgaryEATS!%20FULL%20Food%20System%20Assessment%20%20Action%20Plan%20for%20Calgary%20May2012.pdf>.

<sup>919</sup> *Ibid.*, 5.

Sustain Ontario<sup>920</sup>, and several regional food organizations and food charters.<sup>921</sup> The Toronto Food Charter (TFC) was developed out of the work of the Food and Hunger Action Committee (FHAC), which was formed in December 1999.<sup>922</sup> The FHAC was the result of recommendations made by Toronto's Millennium Task Force, which was inspired by the World Food Day conference that the city had hosted. The purpose of the FHAC was to examine food security in Toronto, and make recommendations regarding ways to tackle hunger, improve the nutritional health of Toronto residents, and "support food-based initiatives that benefit Toronto's economy, environment and quality of life."<sup>923</sup> After two years of work, the FHAC tabled a report entitled 'The Growing Season'<sup>924</sup> and a Toronto Food Charter<sup>925</sup> in 2001, both of which City Council approved that same year. The City of Toronto adopted the Toronto Food Charter and committed to undertaking various actions to fulfill its principle.<sup>926</sup> Actions range from encouraging community gardens, protecting local agricultural lands and supporting urban agriculture, to advocating for the right of citizens to adequate amounts of safe, nutritious, and culturally

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<sup>920</sup> "About," *Sustain Ontario*, accessed on February 17, 2012, <http://sustainontario.com/about/about>.

<sup>921</sup> The regional food organizations in Ontario include the Waterloo Region Food System Roundtable and the Sudbury Food Connections Network. Food Charters have been established in Guelph-Wellington, Sudbury, York Region, and London.

<sup>922</sup> "Food and Hunger Action Committee," *Toronto*, accessed January 17, 2012, [http://www.toronto.ca/food\\_hunger/growing\\_season.htm](http://www.toronto.ca/food_hunger/growing_season.htm).

<sup>923</sup> Ibid.

<sup>924</sup> *The Growing Season; Phase 2 Report*, (Toronto: Food and Hunger Action Committee, February 2001), accessed January 17, 2013, [http://www.toronto.ca/food\\_hunger/pdf/growing\\_season.pdf](http://www.toronto.ca/food_hunger/pdf/growing_season.pdf).

<sup>925</sup> The Toronto Food Charter is comprised of four core principles: 1) every Toronto resident should have access to an adequate supply of nutritious, affordable and culturally appropriate food; 2) food security contributes to the health and well being of residents, while reducing their need for medical care; 3) food is central to Toronto's economy, and the commitment to food security can strengthen the food sector's growth and development; and 4) food brings people together in celebrations of community and diversity and is an important part of the city's culture. *Toronto Food Charter*, accessed January 17, 2013, [http://www.toronto.ca/food\\_hunger/pdf/food\\_charter.pdf](http://www.toronto.ca/food_hunger/pdf/food_charter.pdf).

<sup>926</sup> "Food and Hunger Action Committee," Toronto.

appropriate food, sponsoring nutrition programs and services, and adopting institutional food purchasing habits that serve as a model for health, social, and environmental responsibility.

British Columbia also possesses a provincial network organization, known as the British Columbia Food Systems Network<sup>927</sup>, and several regional food organizations and food charters.<sup>928</sup> Vancouver's food council and food charter evolved out of a process aimed at establishing a sustainable food system for Vancouver. Vancouver Food Policy Council (VFPC) advises City Council and staff regarding policy and program changes to improve the local food system.<sup>929</sup> The VFPC is comprised of 21 individuals who represent the food production, processing, access, distribution, consumption, waste management, whole-system operations, and the general public. The areas of priority include urban agriculture, community kitchens, composting food waste, institutional purchasing decisions, neighbourhood food resiliency, food access, and the integration of local food assets. The goals of the Vancouver Food Charter (VFC) are to have more sustainable, local food exchanged between local farmers and urban consumers, restaurants, and retailers; to have more 'edible gardening' in the City of Vancouver; and to have more backyard and neighborhood composting.<sup>930</sup>

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<sup>927</sup> *British Columbia Food Systems Network*, accessed on February 17, 2012 <http://fooddemocracy.org/>.

<sup>928</sup> There are over 25 regional food organizations in BC, including the Kamloops Food Policy Council, the Kaslo Food Security Project, and Food Matters Chilliwack. Food Charters have also been established in Kelowna, Kaslo, and Salmon Arm. Ibid.

<sup>929</sup> *Vancouver Food Policy Council*, accessed on February 17, 2012), <http://www.vancouverfoodpolicycouncil.ca/about/>.

<sup>930</sup> The first principle is Community Economic Development, which stresses the importance of developing local food systems. Ecological Health is the second principle, and refers to the need to develop local food systems that support sustainable agriculture. The third principle is Social Justice, which states that hunger, food insecurity, and health problems have not been alleviated by the industrial food system, in fact it has worsened these problems. The fourth principle is Collaboration and Partnership, which refers to the importance of fostering relationships with different levels of government, businesses, and with civil society in the creation and implementation of a sustainable



In early 2013 the VFPC published a comprehensive Vancouver Food Strategy (VFS), which was soon adopted by the City of Vancouver.<sup>931</sup> The VFS is anchored on the principles of the VFC, and outlines 71 actions designed to create a food system in Vancouver that reflects them in five broad action areas. The actions include the establishment of more community gardens, better access to farmers markets, proper disposal of food waste (i.e. reducing food packaging and increasing composting), food business incubators (e.g. licensed, shared and multi-use kitchen facilities), and city procurement of local food.<sup>932</sup> On January 30, 2013, the Vancouver City Council voted unanimously to adopt the Vancouver Food Strategy.<sup>933</sup>

Finally, the presence of the national network organization, Food Secure Canada (FSC), which was established in 2006, should be noted. Activists committed to creating a pan-Canadian movement after coming to the conclusion that the federal government's 1998 national food security plan, *Canada's Action Plan for Food*, merely reinforced the status quo.<sup>934</sup> The FCC's three core principles are zero hunger, sustainable food system, and healthy and safe food, and the organization has been devoted to working on issues

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local food system. The fifth, and final, principle is Celebration, which refers to the need for Vancouver to recognize and celebrate its unique food-ways and the interdependence between rural and urban peoples, and between all peoples and the environment. *Vancouver Food Charter*, accessed January 17, 2013, [http://vancouver.ca/files/cov/Van\\_Food\\_Charter.pdf](http://vancouver.ca/files/cov/Van_Food_Charter.pdf).

<sup>931</sup> *What Feeds Us: Vancouver Food Strategy*, January 2013, accessed on February 26, 2013, <http://vancouver.ca/files/cov/vancouver-food-strategy-final.PDF>.

<sup>932</sup> Ibid: 49-124.

<sup>933</sup> *Regular Council Meeting Minutes*, Standing Committee Of Council On City Finance and Services, City of Vancouver, January 30, 2013, accessed on February 26, 2013, <http://former.vancouver.ca/ctyclerk/cclerk/20130130/documents/cfsc20130130min.pdf>.

<sup>934</sup> "History of the Organization," *Food Secure Canada*, accessed February 20, 2012, <http://foodsecurecanada.org/history-organization#2006>.

relating to urban agriculture, climate change, poverty, fisheries, and food sovereignty.<sup>935</sup>  
FSC now includes provincial level network organizations in almost every province.<sup>936</sup>

## **8.4. National Level Policy Initiatives**

### ***8.4.1. New Democratic Party Proposal***

In 2008 the federal NDP launched an initiative aimed at investigating the views of Canadians regarding food and agriculture, and developing a policy proposal. The initiative involved an 18-month cross Canada consultation process, led by the party's then agriculture critic, Alex Atamenenko.<sup>937</sup> The NDP's proposal was influenced by the collectivist farm organizations, whose members participated in the consultations that took place in the prairie region.<sup>938</sup> The NDP presented its food policy proposal to the Harper Conservative government in 2009. The proposal contains the core themes of the AFM. Food security is emphasized under a plank entitled "help Canadian farmers produce

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<sup>935</sup> "Vision," *Food Secure Canada*, accessed on February 20, 2012, <http://foodsecurecanada.org/vision-mission>.

<sup>936</sup> In addition to the provincial network organizations in the three prairie provinces, provincial network organizations are also present in Ontario (Sustain Ontario), British Columbia (British Columbia Food Systems Network), New Brunswick (New Brunswick Food Security Action Network), Nova Scotia (Nova Scotia Food Security Network), Prince Edward Island (PEI Food Security Network), Newfoundland and Labrador (Food Security Network of Newfoundland and Labrador), Yukon Territory (Growers of Organic Food Yukon, and Quebec (Le Regroupment des cuisines collectives du Quebec, Le Regroupment des jardins collectifs du Quebec, and La Colaition Pour la Souverainete alimentaire). "Canadian Food Policy Organizations," People's Food Policy Project, accessed August 12, 2012, <http://peoplesfoodpolicy.ca/canadian-food-policy-organisations>.

<sup>937</sup> Francisco Canjura, "Food Issues On The Menu," *Castlegar News*, August 26, 2008, accessed August 12, 2012, <http://search.proquest.com>.

<sup>938</sup> Alex Atamenenko, *Food for Thought: Towards A Canadian Food Strategy*, (Ottawa: New Democratic Party of Canada, April 2010), 28, accessed August 12, 2012, <http://nbfstanasanb.files.wordpress.com/2010/04/ndp-food-strategy.pdf>.

adequate amounts of secure and healthy food.”<sup>939</sup> It includes proposals such as promoting local food systems (production, processing, and distribution), implementing a separate food safety regulatory regime for small scale farm operations, requiring that all federal government institutions use local food sources wherever possible, and renegotiating trade agreements where possible in order to create a marketplace that is more stable and secure. Food safety is emphasized under another policy plank that calls on Canadian governments to “ensure all Canadians have access to healthy food.”<sup>940</sup> This plank calls for comprehensive food labeling, equal and strict inspection and food safety standards for Canadian produced and imported food, and the inclusion of food production and food preparation in school curricula.<sup>941</sup> The final plank entitled “establish a sustainable agriculture sector for future generations”<sup>942</sup> emphasizes long-term approach and environmental sustainability. It includes proposals such as preserving heritage seeds and breeds, encouraging young people to enter the farm sector, supporting current farmers, and facilitating the availability of arable land for people committed to farming. The NDP’s proposal represented the interests of the collectivist farm organizations, by stressing the importance of cooperative and collectivist market mechanisms such as the CWB and supply management, in order to ensure the viability of independent Canadian farmers in the corporate dominated global agriculture sector.<sup>943</sup>

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<sup>939</sup> Ibid., 8.

<sup>940</sup> Ibid.

<sup>941</sup> Ibid.

<sup>942</sup> Ibid.

<sup>943</sup> Ibid: 25.

#### 8.4.2. *People's Food Policy Project*

The NDP's proposal was followed by a much more involved and comprehensive effort by the AFM in Canada. Food Secure Canada (FSC) led and coordinated the establishment of the People's Food Policy Project (PFPP). The PFPP is a network of individuals and organizations from across the country, that came together to develop a national food policy proposal for Canada based on the principles of food sovereignty.<sup>944</sup> The PFPP was linked to the collectivist farm movement, through the participation of some NFU members across the country.<sup>945</sup> The PFPP signaled an attempt to link the AFM with progressive farmers in Canada, as well as with the global food sovereignty movement, and it was intended to tackle the core problem with conventional food system: the fact that food exists as a volatile, market commodity, while its value with respect to life, culture, social relations, and the environment, are ignored. The PFPP aimed to create a coherent proposal that addressed the entire food system, and it included citizens, including both farmers and urban food activists, in its development in a meaningful way.

After two years of intensive, cross country consultations and research,<sup>946</sup> the PFPP released *Resetting the Table* on Parliament Hill during the 2011 federal election campaign. *Resetting the Table* calls for a fundamental reorientation of the entire food

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<sup>944</sup> "About Us," *People's Food Policy Project*, accessed on May 7, 2011, [http://peoplesfoodpolicy.ca/about\\_us](http://peoplesfoodpolicy.ca/about_us).

<sup>945</sup> For instance members of the NFU's board of directors and advisory committees, were involved in the development of *Resetting the Table*. "Management Team Members," *People's Food Policy Project*, accessed June 9, 2013, [http://peoplesfoodpolicy.ca/management\\_team](http://peoplesfoodpolicy.ca/management_team); "Alberta," *People's Food Policy Project*, accessed June 9, 2013, <http://peoplesfoodpolicy.ca/category/region/alberta?page=1>; "Advisory Committees," National Farmers Union, <http://www.nfu.ca/about/advisory-committees>, (June 9, 2013); "Board of Directors," National Farmers Union, accessed June 9, 2013), <http://www.nfu.ca/about/board-directors>.

<sup>946</sup> *Ibid*: 2.

system - the way that policy is developed, the way that food is grown, and how food is valued - and adopting its agenda would constitute a radical departure from the competitive export driven model that is Canada's current status quo.<sup>947</sup> The proposal addresses five broad pillars, or areas of perceived need: 1) create a localized food system by reducing the distance as much as possible between where food is produced and where it is ultimately eaten; 2) provide supports to food providers making a broad shift to ecologically friendly production practices, as well as supports to new aspiring farmers, including help with getting access to land; 3) ensure that Canadians can better afford healthy food; 4) ensure that all children have access to healthy food at all times; and 5) involve the general public, including the most marginalized peoples, in food policy decision making. It is notable, however, that the recommendations in the sections that address agricultural production in the 'Food Sovereignty in Rural and Remote Communities' and the 'Agriculture, Infrastructure, and Rural Livelihoods' do not mention collectivist and cooperative mechanisms, such as the CWB and supply management. The need to target net farm income rather than export volume is mentioned, but no policy suggestions are made other than emphasizing the need to support small and young farmers.<sup>948</sup> The priorities outlined in the document clearly support local food systems and environmentally sustainable agriculture, priorities that are closely aligned the core concerns of the AFM as discussed above. Indeed, the PFPP is best interpreted as an aggregation of the AFM's perspectives regarding food and agriculture policy. However, it should be noted that the PFPP proposal does not explicitly address - either supportively or critically - the export oriented agricultural

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<sup>947</sup> *Resetting the Table: A People's Food Policy for Canada*, People's Food Policy Project, April 2011, accessed May 7, 2011, [http://peoplesfoodpolicy.ca/files/pfpp-resetting-2011-lowres\\_1.pdf](http://peoplesfoodpolicy.ca/files/pfpp-resetting-2011-lowres_1.pdf).

<sup>948</sup> *Ibid.*, 15.

production that dominates the prairie region. Neither does it address how western Canadian food producers could be helped to make a less precarious living.

#### **8.4.3. Liberal Party of Canada Proposal**

The idea for proposing a national food policy within the Liberal party first surfaced during the 2006 leadership contest. Gerard Kennedy, a former Executive Director of the Edmonton Food Bank and head of Toronto's Daily Bread Food Bank, called for a coordinated, comprehensive policy for the entire food chain in order to achieve food security.<sup>949</sup> Michael Ignatieff also argued that a national food policy was necessary, in order to address the farm crisis affecting rural areas and causing a rural-urban socio-economic divide, as a solution to western alienation, and to address the crisis in the health care system.<sup>950</sup> After winning the Liberal leadership, Ignatieff initiated the development of a food policy proposal. The resulting document, *Rural Canada Matters*, was released during the 2010 federal election campaign. Its stated intent was to have Canadians consume more domestically grown food, help Canadian farmers, and improve the health of Canadians.<sup>951</sup>

Disappointingly, however (given the rhetoric that preceded its production), *Rural Canada Matters* offered little departure from previous Canadian policies, as it was

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<sup>949</sup> "Kennedy Advocate For Balance," *Kelowna Capital News*, August 23, 2006, accessed August 13, 2012, <http://search.proquest.com>; Michael Ignatieff, "Lets Find A Way To Help Rural Communities Thrive," *Calgary Herald*, September 16, 2006, accessed August 13, 2012, <http://search.proquest.com>; "On Kyoto, Afghanistan, And Winning In Quebec," *National Post*, October 14, 2006, accessed August 13, 2012, <http://search.proquest.com>; Frank Matys, "Grit Leader Grilled In Orilla," *Orilla Today*, February 9, 2009, accessed August 13, 2012, <http://search.proquest.com>.

<sup>951</sup> Maria Babbage, "Ignatieff Vows More Canadian Food On Our Tables If He was Prime Minister," *Canadian Press*, April 26, 2010, accessed August 14, 2012, <http://search.proquest.com>.

anchored on the main objectives of Canada's agriculture policy over the past 30 years: increasing exports and improving farm subsidy programs. For example, the aim of the pillar entitled 'International Leadership: Opening New Markets and Building Capacity,' was expanding Canada's share of high value export markets, within a context of liberalized trade.<sup>952</sup> In order to meet this objective, the document stated that the competitiveness of Canada's agri-food products had to be improved by making the Canadian brand a symbol of the highest quality and safest food in the world. This echoed the goals of the Agricultural Policy Framework discussed in Chapter 5. The Liberal proposal also aimed to help developing countries by providing assistance aimed at improving their 'agricultural productivity' and 'trade-related capacity building.'<sup>953</sup> Another example of the proposal's grounding in the status quo was found in the pillar entitled 'Sustainable Farm Incomes.' This included a proposal to carry out yet another review of farm subsidy programs, in order to introduce a new set of coordinated programs designed by farmers. The document also included the objective of introducing yet another program, to be known as AgriFlex, to the farm subsidy program mix. Finally, the 'Safe Food' pillar, included a proposal to tinker with existing mechanisms by reviewing the functioning of Canada's current food safety regime (Canadian Food Inspection Agency (CFIA), Health Canada, and the Public Health Agency of Canada), and adding \$50 million to improve the CFIA's inspection of all food available to Canadians.<sup>954</sup>

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<sup>952</sup> *Rural Canada Matters: Highlights of the Liberal Plan for Canada's First National Food Policy*, (Ottawa: Liberal Party of Canada, July 2010), 4, accessed on August 14, 2012, [http://www.liberal.ca/newsroom/blog/files/2010/07/foodpolicy\\_e.pdf](http://www.liberal.ca/newsroom/blog/files/2010/07/foodpolicy_e.pdf).

<sup>953</sup> Ibid.

<sup>954</sup> Ibid: 3.

The Liberal proposal did make a nod to local food system and environmental sustainability objectives identified with the AFM. The ‘Healthy Living’ pillar included proposals for an \$80 million ‘buy local’ program designed to promote the procurement of locally grown food and expand farmers markets, a \$40 million program to assist low income children in accessing home grown foods, and \$50 million to improve food inspections and ensure that imported food meets domestic standards.<sup>955</sup> It also included new regulations, including ‘progressive labeling regulations,’ to give Canadians more information regarding the nutritional content and country of origin of their food, and improvement of standards regarding trans fats in order to reduce their consumption.<sup>956</sup> Finally, the ‘Environmental Farmland Stewardship’ measures included the strengthening of environmental farm plans, programs to reward farmers for setting aside land for wildlife habitats or carbon sequestration, and programs to develop clean energy from Canadian farmers including biomass, wind, solar, and geothermal energy.<sup>957</sup> It is evident that these were not measures designed to challenge the status quo, but rather to promote environmental concerns within the current market-oriented system.

#### ***8.4.4. Canadian Federation of Agriculture Proposal***

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<sup>955</sup> “Michael Ignatieff Commits To Canada’s First National Food Policy,” *News Release*, (Ottawa: Liberal Party of Canada, April 26, 2010), accessed on August 14, 2012, <http://www.liberal.ca/newsroom/news-release/michael-ignatieff-commits-to-canadas-first-national-food-policy/>; *Rural Canada Matters: Highlights of the Liberal Plan for Canada’s First National Food Policy*, 3.

<sup>956</sup> Ibid.

<sup>957</sup> This promise was part of a broader Liberal campaign promise to quadruple Canada’s clean energy production. Ibid: 4.



Turning to proposals coming from groups that are part of the farm policy community, as opposed to political parties, the Canadian Federation of Agriculture (CFA) released its food policy proposal, *Towards A National Food Strategy: A Framework for Securing the Future of Food*, at its 2010 annual general meeting themed ‘Future of Food.’ The proposal was developed with the input of representatives from the input supply processing, distribution, retailing, consumers, and primary production sectors of the agri-food sector, which is similar to the integrated approach taken by the canola sector, as discussed above.<sup>958</sup> However, the core principles of *Towards a National Food Strategy* are couched in language similar to that employed by the AFM. The first principle is ‘food is a basic human need and right,’<sup>959</sup> which would appear to signal that the rights-based approach employed by many food security advocates is a fundamental part of their agenda. The second and third principles are ‘Maintaining a strong and healthy domestic food chain contributes to national food security’<sup>960</sup> and ‘Food production must be sustainable.’<sup>961</sup> These principles address food security and environmental sustainability, but are vague about how the goals are to be accomplished, and what must be changed about the current food system if they are to be more than statements of ideals.

In the subsequent description of how these objectives might be achieved, however, it becomes evident that the CFA proposal remains fundamentally grounded in the economic status quo, wherein international competitiveness and market innovation

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<sup>958</sup> *Towards A National Food Strategy: A Framework for Securing the Future of Food*, (Ottawa: Canadian Federation of Agriculture, 2010), 4, accessed on August 14, 2012, [http://www.cfa-fca.ca/sites/default/files/NFS\\_0.pdf](http://www.cfa-fca.ca/sites/default/files/NFS_0.pdf).

<sup>959</sup> *Ibid.*, 5.

<sup>960</sup> *Ibid.*

<sup>961</sup> *Ibid.*

are emphasized. For example, the document calls for the necessity of ensuring that Canada's agri-food sector can "adapt quickly to market demands" to ensure that Canadian produced and processed foods are first choice among consumers in both domestic and international markets.<sup>962</sup> Furthermore, the document states that the key to achieving adaptability is ensuring that 'market intelligence' is available, that all sectors "continuously research and innovate," and that "food labeling and retail signage systems clearly identify Canadian grown and Canadian processed products to enable consumers to choose."<sup>963</sup> With respect to farm income, another objective states "the Canadian food chain is driven by diverse, sustainable, innovative, and profitable farm and food supply sectors."<sup>964</sup> The methods for achieving this objective emphasize investment in research and innovation: "Canada's private and public investment in food research and innovation increases by 10% per year" and "innovation in genetics, production and processing practices, and marketing drives food chain success."<sup>965</sup> Finally, other objectives tout the importance of international trade agreements in ensuring a level playing field between farmers in different countries and regions, and "effective and predictable business risk management programs at the farm level." These constitute the very practices that the AFM blames for causing problems in the current agri-food system.

That the CFA's proposal contains contradictions is not necessarily surprising given that it is a general farm group that attempts to balance the perspectives of different agricultural commodity sectors and regions. However, what is interesting is that the proposal appears to be a hybrid that combines some of the language of the AFM –

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<sup>962</sup> Ibid., 6-7.

<sup>963</sup> Ibid., 6.

<sup>964</sup> Ibid., 9.

<sup>965</sup> Ibid.

language that is fundamentally critical of the effects of agribusiness and liberalized markets on the food Canadians eat - with support for the market agendas of neoliberal farm organizations. It does so, moreover, without any analysis of the effects that neoliberal policies, and export-oriented food production, have had on the food supply in Canadian communities, urban and rural alike. The proposal makes no mention of collectivist institutions or cooperative market mechanisms, such as the CWB or supply management. Perhaps this is a reflection of the CFA's view that the collectivist farm movement is no longer relevant? Or that collectivist solutions no longer make sense to many of its members? In either case, it seems clear that the collectivist farm organizations are losing status in the farm community, even as the AFM is proposing collective solutions to what it sees as growing problems of food insecurity in Canada.

#### ***8.4.5. Canadian Agri-Food Policy Institute Proposal***

The February 2011, the Canadian Agri-Food Policy Institute (CAPI) released its food policy proposal entitled *Canada's Agri-Food Destination: A New Strategic Approach*. CAPI was created in 2004 by the federal government, and describes itself as an 'independent, non-partisan policy forum,'<sup>966</sup> which focuses its work on medium and long term issues facing the agri-food sector in the areas of food and wellness, sustainability, and viability. The organization's directors have worked for companies and organizations in the food processing, biotechnology, marketing, and communications sectors. CAPI's proposal draws attention to many of the problems concerning Canada's agri-food system identified by the AFM. These include the unprofitability of Canada's

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<sup>966</sup> "About the Institute," *Canadian Agri-Food Policy Institute*, accessed on August 16, 2012, <http://www.capi-icpa.ca/about.html>.

farmers and ranchers, the ineffectiveness of Canada's farm subsidy programs, the rise of agri-food imports into Canada and simultaneous decline in agri-food exports, the increase in diet-related illness while health care costs rise, the overdependence of our food system on fossil fuels, and Canada's falling expenditure on R&D related to agriculture and food.<sup>967 968</sup> Also, like the AFM, CAPI identifies similar causes for these problems: short term planning; no measurable targets for broad objectives; and fragmented policies (e.g. agriculture policy, health care policy, environmental policy, etc.). The solution to these problems proposed by CAPI, however, is where it markedly departs from those advocated by the AFM or collectivist farm organizations.

The overarching goal proposed by CAPI for Canada's agri-food system is the achievement of the safest and most nutritious food, which is produced in an ecologically sustainable manner, at minimal risk across the system.<sup>969</sup> While this statement would likely be acceptable to any of the players discussed above, it is CAPI's proposed targets that reveal the proposal's grounding in the corporate/export model of farming and food production. The proposal calls for a target referred to as '75 by 25,' which means doubling the value of Canada's agri-food exports to \$75 billion (up from \$38.8 billion), producing and supplying 75 percent of Canada's own food (from 68 percent currently), and generating revenue and efficiency by relying on biomaterials and biofuels in 75 percent of the agri-food sector, by 2025.<sup>970</sup> In order to reach this target, CAPI calls for the creation of five 'enabling conditions.' First, a 'Center for Good Food Citizenship'

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<sup>967</sup> Ibid., 6.

<sup>968</sup> Ibid.

<sup>969</sup> Ibid., 8.

<sup>970</sup> Ibid.

would be created, involving a partnership between government, the health community, and industry.<sup>971</sup> The center would be a neutral venue where consumer-food issues (e.g. the labeling of unhealthy ingredients and GMOs) could be negotiated and resolved. Second, ‘Food System Smart Innovation’ would involve the establishment of industry-led centers within each food system, in order to enhance collaboration.<sup>972</sup> Third, ‘Food System Risk Management’ would proactively address the components of ‘income risk’ in order to reduce, or eliminate, the need for farm subsidy programs so that funding once available for farm subsidies could be invested in research and development.<sup>973</sup> Fourth, ‘Leadership in Sustainability’ would involve the responsible use of natural capital (e.g. water, soil, and carbon), and the use of science and technology to mitigate environmental stresses and climate change.<sup>974</sup> Fifth, ‘Enabling Regulatory Change’ would see the creation of a Cabinet Committee on Food, in order to constantly review regulations and ensure they are improved and updated.<sup>975</sup> The emphasis on exports, biofuels, technology, and innovation all support a conclusion that CAPI’s proposal is driven by the same neoliberal assumptions that have reshaped western Canadian agriculture over the past twenty years. It also reveals that neoliberal interests are providing their own answer to the push for a national food policy being made by the AFM, by identifying many of the same problems and employing much of the same language, but proposing very different solutions.

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<sup>971</sup> Ibid.

<sup>972</sup> Ibid.

<sup>973</sup> Ibid.

<sup>974</sup> Ibid: 9.

<sup>975</sup> Ibid.

#### **8.4.6. Conference Board of Canada – Center for Food in Canada**

In a similar kind of initiative, in 2011 the Conference Board of Canada created a Center for Food in Canada (CFIC). The Conference Board of Canada describes itself as “the foremost independent, not-for-profit applied research organization in Canada.”<sup>976</sup> It also declares that it is an “expert in economic trends, as well as organizational performance and public policy issues.”<sup>977</sup> The organization’s directors work for such companies as the Business Development Bank of Canada, CGI Group Inc., Hydro-Quebec, Shell Canada Limited, as well as Canadian universities. The Conference Board of Canada states that the purpose of the CFIC is to raise the public’s awareness about the importance of the food sector, and to create a coordinated, long-term Canadian Food Strategy.<sup>978</sup>

According to the Conference Board of Canada, the CFIC was created in response to “the public appetite for action on food issues, largely driven by crisis and media attention.”<sup>979</sup> The CFIC defines the current reality as one of “increasing food requirements, changing consumer preferences, a highly globalized food marketplace and mounting environmental pressures.”<sup>980</sup> The CFIC views food as one of the ‘mega-issues’ affecting the country, because of the fact that it affects all of its regions and that it directly or indirectly affects all aspects of the economic and social well being of

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<sup>976</sup> “About The Conference Board of Canada,” *Conference Board of Canada*, accessed on August 16, 2012 <http://www.conferenceboard.ca/about-cboc/default.aspx>.

<sup>977</sup> Ibid.

<sup>978</sup> “Purpose of the Center; Centre for Food In Canada,” *Conference Board of Canada*, accessed on August 16, 2012 <http://www.conferenceboard.ca/cfic/default.aspx>.

<sup>979</sup> Ibid.

<sup>980</sup> Ibid.

Canadians.<sup>981</sup> The CFIC also states that there is a growing sentiment among Canadians favoring a ‘proactive approach.’ The center states that it is focusing on safe and healthy food, food security, and food sustainability, in order to build a holistic vision of the entire food sector, rather than just focus on a single component. Moreover, it will consider the ‘1-to 20-year perspective,’ which will allow it to devise solutions to immediate problems while also creating a long-term framework.<sup>982</sup> Finally, CFIC claims that its approach will be ‘action-oriented,’ meaning that it will focus on identifying ways to bring about ‘achievable change’ and will provide ‘concrete suggestions’ for the various actors in the food system.<sup>983</sup>

The familiar theme of improving Canada’s ‘global competitiveness’ is a foundational objective of the organization of the CFIC. The CFIC has a three year plan for devising a blueprint that will serve as the basis for its food policy proposal. It has begun this work by holding annual conferences called the ‘Canadian Food Summit,’ in February of 2012 and 2013. The two summits featured a wide range of speakers representing prominent food and agriculture corporations (Maple Leaf Foods, Loblaw Companies, Weston Foods Limited, and Cargill Limited), international organizations (OECD Agro-Food Trade and Markets Division), foreign governments (Australia), Canadian government organizations (Canadian Food Inspection Agency, Health Canada, and the Ontario department of agriculture), a Canadian university (University of Guelph), and domestic food issue organizations (Ontario Culinary Tourism Alliance, The Stop

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<sup>981</sup> “Guiding Principles of the Centre; Centre for Food in Canada” *Conference Board of Canada*, accessed on August 16, 2012, <http://www.conferenceboard.ca/cfic/Principles.aspx>.

<sup>982</sup> Ibid.

<sup>983</sup> Ibid.

Community Food Centre, and FoodShare).<sup>984</sup> The center's corporate investors include Loblaw Companies, Cargill Limited, Nestle Canada, Maple Leaf Foods, Olymel L.P, and KPMG LLP. Indeed, it appears as though Canadian governments and non-profit organizations are involved in the project, as the center's donors also include Agriculture and Agri-Food Canada, the Heart and Stroke Foundation of Canada, and the Government of Prince Edward Island.<sup>985</sup> While the CFIC has included a range of actors representing various entities involved in the food sector, the balance is overwhelmingly tilted toward corporate interests.

Given the neoliberal orientation of those involved in the CFIC, the proposal will likely tread very close to the status quo, while touting investment in research and technology for conventional farming and food processing, as the best way forward. As is the case with CAPI's proposal, the CFIC signals that neoliberal interests are entering the food policy debate in a very serious manner, and are selectively appropriating the language of the AFM in order to promote solutions that would promise small

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<sup>984</sup> Other speakers included New York Times food issues columnist, Mark Bittman, the CEO of Scotland Food and Drink, Sarah Church, the head of Food Policy at the Department of Environment, Food, and Rural Affairs in the United Kingdom, Helen Clarkson, the Head of the Forum for the Future, in the United States. "Agenda - Canadian Food Summit 2012," Centre for Food in Canada, Conference Board of Canada, Toronto, February 7-8, 2012, 4-11, accessed on August 16, 2012, [http://www.conferenceboard.ca/Libraries/CONF\\_PDFS\\_PUBLIC/12-0018.sflb](http://www.conferenceboard.ca/Libraries/CONF_PDFS_PUBLIC/12-0018.sflb); "Agenda - 2<sup>nd</sup> Annual Canadian Food Summit: From Challenges to Solutions, Center for Food in Canada, Conference Board of Canada, Toronto, April 9-10, 2013, 4-10, accessed on April 12, 2013, [http://www.conferenceboard.ca/Libraries/CONF\\_PDFS\\_PUBLIC/13-0053.sflb](http://www.conferenceboard.ca/Libraries/CONF_PDFS_PUBLIC/13-0053.sflb).

<sup>985</sup> The full list of investors in the CFIC include: Champion Investors: Loblaw Companies Ltd, Maple Leaf Foods, Heinz Canada, Nestlé Canada Inc., OMAFRA (Ontario Ministry of Agriculture, Food and Rural Affairs), Parmalat Canada, Ontario Ministry of Health and Long-Term Care, Agriculture and Agri-Food Canada, Public Health Agency of Canada. Partner Investors: Cavendish Farms (Irving Group), Cott Beverages Canada, McCain Foods (Canada), Olymel L.P., Saputo Inc., Deloitte & Touche LLP, Weston Foods, Farm Credit Canada, Cargill Limited, IBM Canada, PepsiCo Canada, Government of Prince Edward Island. Participant Investors: The Heart and Stroke Foundation, Government of New Brunswick Department of Agriculture, Aquaculture and Fisheries, The J.W. McConnell Family Foundation, Metcalf Foundation. Participants: The Canadian Federation of Agriculture; University of Guelph. "Investors," Centre for Food in Canada, Conference Board of Canada, accessed on April 12, 2013, <http://www.conferenceboard.ca/cfic/investors.aspx>.



improvements (better food labeling, for example, or incentives for urban farming), while leaving the market structures of our current food system intact, or even strengthened.

## **8.5. Conclusion**

The aim of this chapter has been to capture the significant changes taking place in the farm policy community, as Canadian agriculture is being reshaped in fundamental ways by the majority Conservative government. Neoliberal reforms are continuing at a rapid pace, and the formation of a decisively neoliberal policy community is proceeding just as quickly. Institutions like the CWB and the provincial wheat pools, which historically gave Canadian farmers some collective leverage in the marketplace have been dismantled or privatized. The Co-Ops, which once functioned as an effective model of the benefits collective institutions could bring to small farmers and farm families, have become little more than another retail store. Meanwhile collectivist farm organizations - organizations that advocated for collective or co-operative solutions to problems and promoted alternatives to simply letting market forces prevail – have either withered or disappeared entirely. The NFU, the only such national organization that still exists, has lost influence with government and farmers.

In their place, the new commodity ‘commissions’ which have the ear of both federal and provincial governments (and in Alberta and Saskatchewan, were established with active assistance from pro-free market provincial governments) are predominantly comprised of representatives of the market oriented farm organizations. Indeed, the ‘integrated’ industry organizations that already exist and appear to be under development in the barley sector, include representatives of agribusiness corporations involved in the

input supply and processing subsectors. They more closely resemble industry associations, in their notions of common interests, than any genuinely collectivist objectives or aspirations. The interests of smaller farmers, in particular, are being coopted within these integrated organizations, organizations that purport to represent the interests of entire commodity sectors.

At the same time, though, the latter part of this chapter has documented the growth in Canada of an alternative food movement (AFM), which brings together different kinds of food activists: urban consumers concerned about issues like pesticide use, genetically modified fruits and meats, the health consequences of many processed foods, and the effects on climate change of an industrial food system that transports foods over global distances. The AFM also includes anti-poverty activists, whose principal concerns include the growing costs of healthy food, the growing costs to our health care system of a food industry that makes healthy eating unaffordable for many parents and their children, and the growing dependence on food banks in many Canadian communities. For many of the latter, as we have seen, the ‘right to food’ – safe, healthy, affordable food – is being articulated as a key political demand. Finally, there is also, in at least some parts of the AFM (and it is far from a tightly integrated movement) a fundamental critique of a global capitalist food system that privileges profits – including the profits of Canada’s agri-food sector – above other values historically associated with food: individual and communal health, the practice and enjoyment of rituals associated with cooking and eating, and the enjoyment and preservation of distinctive cultural traditions. Each of these themes recurs in ‘food charters’ and food policy proposals advanced by AFM groups in Canadian cities, even though critics might suggest that too often these documents sound more like wish lists than serious policy proposals.

What is noteworthy about these developments, for the purposes at hand here, can be summed up in three related observations. The first is simply that many of the demands put forward by AFM groups are better understood as demands for change, or statements of principle, than as detailed policy proposals that engage seriously with the very large challenges (political challenges, as well as economic challenges) that would face any government that tried to implement them. For instance, the actual implementation of ‘the right to food,’ a principle included in both the Saskatoon Food Charter and the People’s Food Policy Project, would be problematic (at the very least) regarding how it might be put into practice, without some unprecedented interventions in our current food distribution systems. Would it require new (and some might say draconian) regulation of the strategies and practices of supermarkets? A dramatic expansion of food banks or voucher programs, somehow de-stigmatized so that they were not viewed as serving only the poor? A guaranteed annual income? How could the currently dominant position of the transnational corporations (TNCs) in the food system be rolled back, and local food production be encouraged and sustained? Similarly, on questions of nutrition and health, could food education and the encouragement of safe and nutritious eating patterns be accomplished without the paternalism historically associated with such programs? Moreover, who would pay for all of this, from what sources of revenues? Would it be cities that would be expected to take the leading role (and if so, how could they possibly pay?) Provinces? The federal government? The intention in raising these questions is not to discredit the AFM in any way, but simply to point out that much thinking, much negotiation, and indeed much political work to win public support, would need to be undertaken before AFM ideas could become public policy in Canada.

The second observation is that despite the challenges of translating idealism into practical policy, highlighted in the preceding paragraph, the problems that the AFM in Canada have identified are real and growing, and they will demand the serious attention of our political leaders in the near future. The number of Canadians living in poverty remains alarmingly high, and some populations (e.g. aboriginal peoples, working-age peoples living alone, and young adults) remain especially vulnerable.<sup>986</sup> Many analysts blame neoliberal policies of making certain segments of the population especially vulnerable, and point out that hunger is one of the first and most deeply felt ways that poverty is experienced.<sup>987</sup> The impacts of the industrial food system on our individual and collective health, and on our common environment, are also contributing to making the politics of food important to many other Canadians who are not poor, but middle-class or even wealthy. It is also germane to note that issues associated with poverty, health, and the environment affect urban populations just as surely as they do rural ones, and the point here is simply that a ‘politics of food’ has the potential to enlist the interest and support of more Canadians than a politics focused more narrowly on the concerns of farmers or of specific commodity sectors. It is this that helps to explain why food has become a ‘policy frontier’ for organizations like CAPI and the Conference Board of Canada, organizations with a history of advocacy for ‘market-based’ solutions. It is also

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<sup>986</sup> The poverty rate was 9% (3 million peoples) of the Canadian population in 2010. *Poverty Trends Scorecard: Canada 2012*, Citizens for Public Justice, 4-6, accessed April 13, 2013, <http://www.cpj.ca/files/docs/poverty-trends-scorecard.pdf>.

<sup>987</sup> For instance, see S. Bashevkin, “Confronting Neo-Conservatism: Anglo-American Women’s Movements Under Thatcher, Reagan, and Mulroney,” *International Political Science Review* 15, no. 3 (1994): 275-296; S. Bashevkin, “Losing Common Ground: Feminists, Conservatives and Public Policy in Canada During the Mulroney Years,” *Canadian Journal of Political Science* 29, 2 (1996): 211-242; R. Breitkrueez, “Engendering Citizenship? A Critical; Feminist Analysis of Canadian Welfare-to-Work Policies and the Employment Experiences of Lone Mothers,” *Journal of Sociology and Social Welfare* 32, 2 (June 2005): 147-165; J. Brodie, “Western Welfare In Decline,” in *The Great Undoing*, ed. C. Kingfisher (Philadelphia: University of Pennsylvania Press, 2002), 90-110.

why these neoliberal oriented organizations have been quick to appropriate at least some of the language first used more critically by AFM organizations.

The final observation is that the struggle to define a national food policy, and to determine whether the challenges involved in the provision of more nutritious and affordable food will be defined and addressed through public (collective) institutions, or through market-based solutions, highlights the fact that the interests of food producers and consumers have yet to come together in any effective way, or in any institutional voice. On the producers' side, certainly the side that has the longer institutional history, the organizations whose work has featured repeatedly in this dissertation: the CWB, the NFU, the Wheat Pools and the regional farmers' organizations – these have been organizations whose *raison d'être* has been struggling to win better conditions for farmers. Their notional 'opponents' in these struggles have not been Canadian consumers; they have been the banks, the grain traders, the railways, and more latterly the handful of huge TNCs that dominate the global agribusiness sector. However, it is fair to say that even the most collectivist of the Canadian farm organizations, the NFU has had trouble gaining traction regarding its interest in the problems that are seen as central by those who identify with the AFM: the affordability and safety of food, and the environmental impacts of large scale food production. It has been noted above that some NFU members participated in the People's Food Policy Project in 2011; but the NFU has not yet been able to make itself relevant or known among many of the AFM organizations and activists in Canada. By far most of its work has been defensive in character, in the form of vigorous attempts to save policies and regulations implemented prior to the 1980s and designed to improve the lot of small and medium sized, mechanized rural family farmers. On the consumer or AFM side, the disconnect from the

concerns of farmers has been at least as great; however, given the political calculus outlined above, it is arguably the collectivist farm groups that need the AFM more than the AFM needs them. Indeed, the future of the collectivist voice in agriculture, may hinge on whether a broad alliance can be struck between the collectivist farm groups and a large portion of the AFM in Canada. Although many of the AFM's statements are aspirational in character as pointed out above, they do nonetheless articulate an alternative set of values about food and agriculture, and indeed the role of government, that many consumers and farmers may find themselves in agreement with. It may indeed be on the level of values and discourse, in opening up the debate to a new set of values as in the Overton Window discussed in Chapter 3, that an alliance between the NFU and the AFM could have its more important effects. Such an alliance would be anchored on the conviction that there is an important role for government and strong public (collective) policy measures in the agri-food system in order to ensure environmental sustainability, food safety, food security, and the financial viability of farmers. It remains to be seen, however, whether any such alliances are on the horizon, and whether farmers will be able to articulate their own aspirations with those of the AFM.

## **Chapter 9**

### **Conclusion**

This dissertation has traced the history of agriculture policy in prairie Canada, beginning in the Great Depression years and through the post-war decades into the 1970s, when programs intended to help farmers remain on the land were unable to reverse rural depopulation. What this author and many others have called the ‘farm crisis’, can perhaps be more accurately depicted as a succession of crisis points (or crisis periods) in the endemic struggle for survival faced by small grain farmers, in particular, on the western Canadian prairie. Sometimes these crisis points resulted from natural causes (e.g. droughts, grasshoppers, floods, and harsh winters). However, the more systemic issue over the post-war period has followed from technological innovations in farm equipment and scientific innovations in seeds and fertilizers, which together have relentlessly raised the costs to farmers of staying in the business (of putting in a crop, and harvesting it). When steadily rising costs have combined with uncertain – and volatile – prices, the result has been a ‘cost-price squeeze’ and lower margins on both cereal grains and red meats, the main crops of prairie farmers. Over the middle half of the 20<sup>th</sup> century, Canadian farm organizations had enough political influence that they were able to push successfully for a series of ‘emergency’ assistance programs intended to help farmers stay in business through bad years (one bad year, or perhaps a few). However, they were unable keep unprofitable farms operating over a prolonged period of time – indeed they were not intended to do this – and the consequence of the cost-price squeeze was that farming continued to be a struggle. Slowly but steadily, small farms went out of business, young people chose to go into other occupations that offered better rewards,

and rural populations declined, both absolutely and (even more so) as a percentage of the growing Canadian population.

This dissertation has outlined how, in the 1980s and 1990s, Canadian governments came under pressure to cut back on deficits and public sector debt, with the result that every kind of government program spending came under scrutiny, to assess whether it was accomplishing its goals, whether it was doing so as efficiently as possible, and whether these goals were still valid objectives of public policy. This neoliberal determination to cut public spending and to cut back on the role of government was not unique to Canada; it was common to all western nations, and indeed was pursued with greater vigor in both the United Kingdom (under Margaret Thatcher) and the United States (under Ronald Reagan). However, in Canada, the roadmap for neoliberal economic ‘reform’ was laid out by the Macdonald Commission (on Canada’s Economic Prospects), and it shaped many government policies under the Progressive Conservative administrations of Brian Mulroney and Kim Campbell between 1984-1993, and subsequent Liberal governments led by Jean Chretien and Paul Martin between 1993-2005. For many in government, farm subsidy programs looked like a never-ending drain on public resources, and an expenditure of public funds that did not ‘work’ (in the sense of accomplishing its objectives). In addition, it is important to note that the Macdonald prescription for prosperity also urged that Canada pursue trade liberalization with the United States and others, and that in negotiations over NAFTA, at the WTO, and in subsequent trade negotiations with the EU and the Trans-Pacific Partnership, Canada has come under considerable pressure to end the collective marketing boards for agricultural products – not just the CWB, but marketing boards for supply-managed commodities in the dairy and poultry sectors – that have secured better prices for independent Canadian



farmers than they could expect in a liberalized market dominated by transnational agri-food corporations. This was not the only reason, or even the main reason, why the Conservative Party led by Stephen Harper worked for years to end the CWB monopoly in the sale of Canadian wheat abroad. However, the Harper government's determination to end the single desk in wheat and barley is consistent with its ideological support of liberalized markets (regardless of their consequences), and its antipathy to interventions in the marketplace by public or quasi-public institutions.

However, another very important thread in the narrative developed here about the history of Canadian agriculture policies is precisely the important role that public or cooperative institutions have played in the political economy of agriculture on the Canadian prairies. As noted above, farming on the prairies has always provided an uncertain living, and ever since the early 1900s, successive Canadian governments have provided subsidies that made it possible for farmers to survive bad years. Given that a major part of the difficulty in farming has always involved getting crops to market, one of the most important farm subsidies throughout most of the 20<sup>th</sup> century was the Crow Rate. Even more important, as an example of a collective institution, was the Canadian Wheat Board. Pooled pricing provided a measure of price certainty to all Canadian wheat farmers, and the CWB monopoly on the sale of Canadian wheat gave Canadian farmers greater leverage in relation to grain buyers (and hence better prices) than they otherwise could have obtained. Perhaps most important of all, the CWB's pooling of Canadian grain (collected from all over the prairies) enabled it to offer common prices to all Canadian farmers, regardless of their size or geographic location. Together, these measures enabled many smaller farmers, in particular, to remain in the business, and their effects were reinforced by the presence of the provincial wheat pools, also operating on a co-

operative basis, until their privatization in the 1990s. The point here is that co-operative or collectivist institutions played a large role in the historical economy of agriculture in western Canada, and Canadian farmers of the post-war era understood this, and valued these collective institutions. They were willing to take on active roles in local or regional co-ops, while in Saskatchewan and Manitoba, for years they gave strong political support both to the CWB and to political parties that supported co-operative institutions and supported a strong public sector (the CCF, and later the NDP).

The era when prairie farmers gave birth to collectivist political parties, and participated in the governance of a variety of marketing and purchasing co-ops is clearly long gone, part of a different kind of farm economy and a different society. Grain farmers today are many fewer, as we have seen, and the farms that remain tend to be much larger, and much better capitalized. Many of these farmers see themselves as business people, and those who supported the ending of the CWB's single desk did so because they believed that they could do a better job of marketing their own grain than the CWB had been doing on their behalf, and/or simply possessed the desire to have the ability to sell their own grain without having to deal with the CWB at all. However, 'marketing choice' is not what it appears to mean when the only option that gave some collective power in the marketplace to smaller farmers is eliminated, and without pooled pricing, there will almost certainly be farmers who will lose. These will include smaller farmers, farmers without corporate ties, and farmers whose locations mean greater transport costs to their point of sale.

Indeed one way of viewing the Conservative government's campaign to end the CWB monopoly is to see it as a struggle between two different understandings of farming. In the Conservative – or neoliberal – understanding, farming is a business like

any other, and market forces should be left to determine which farmers and indeed which Canadian farm companies (like Viterra) remain in business, and which are swallowed up by larger and more powerful competitors. In a more collectivist view, once held by the Liberals as well as the NDP, but now up for debate in both parties as they seek the support of ‘uncommitted’ voters, institutions like the CWB and other farm subsidy programs that helped keep farmers on the land were good public policy if they kept alive a way of life that have been the *raison d’être* of the rural prairies since the settlement of the Canadian west. If the neoliberal view is allowed to triumph, it is likely that the disappearance of smaller farmers and independent farmers will only accelerate, and that farming in western Canada will become more like the corporate farming that now dominates the American Great Plains. It is also likely that farmer-led groups and any other voices promoting non-market solutions to problems in either our farming economy or our food system will remain on the margins, at least so long as Conservatives remain in power.

In these circumstances, then, is there anything that groups like the NFU and other farmers discouraged by the demise of the CWB can do? In the Conservatives’ playbook, it has been shown that farmer-led groups have been supplanted, in the farm policy community, by commodity ‘commissions’ in which neoliberal interests are able to set the agenda. This follows a template first introduced by the Alberta PCs in the 1970s, whereby commodity producer groups that promoted ‘market solutions’ were encouraged by the government, and were consulted by a provincial government that wanted to hear pro-market advice coming from the farm ‘community.’ It is clearly consistent with many things that the current federal Conservative government has pursued that their preference is that agri-food production in Canada be reorganized according to market principles, and

that demands for public or collective solutions become a thing of the past, or identified as sentiments belonging to fringe groups. Where then, can what remains of the collectivist farm movement turn for allies?

This dissertation has reviewed the activities of the alternative food movement (AFM) in Canada, because it is the belief of this author that there is some reason for optimism in this respect. The AFM is, to this point at least, largely an urban movement, and it has not yet made income security for Canadian farmers a prominent part of its agenda. The AFM's primary goals, moreover, have to do with food for Canadians, and it may turn out that even if its agenda does come to include the livelihoods of those organic farmers and market gardeners who sell their food locally and regionally, different solutions and different alliances will have to be found for those grain farmers whose crops are predominantly for the export market. Up to this point in time, the population of farmers who have a relationship with the AFM have been involved in producing a different set of products for Canadians (foods for local consumption), whereas the traditional base of the collectivist movement are grain farmers for export.

However, the AFM is not just a movement that possesses new ideas and new energy around food production, but also a movement that opposes the negative outcomes of the neoliberal industrial food system, and where individuals and civil society groups typically have some sympathies for collectivist ideas. The development of a national food policy constitutes a new policy frontier wherein the final shape it will take, if indeed it ever does come to fruition, is still up for grabs, even if neoliberal interests appear to have gained the upper hand here as well. The reestablishment of collectivist policies in western agriculture may hinge on whether a stronger and broader alliance could be struck between collectivist groups and the AFM, and whether they can more forcefully advance

a collectivist policy agenda – a national food policy - designed to appeal to both rural farmers and urban consumers. The main objectives of such a policy have still to be worked out, in negotiations among these groups, and there are certain to be different and sometimes conflicting priorities. However it might be surmised that they would share a commitment to producing safe and nutritious food (possibly opposing GM foods), as well as to land use policies that would protect both food safety and the rural environment. They might also come to agreement on policies that would address problems in the food system that are associated with poverty, advocating for protections for the weak, whether these are producers or consumers. In addition, it does not seem far-fetched to hope that both farmers and the AFM would oppose the increasing stranglehold that transnational agribusiness now has over both food production and food distribution. None of this is to suggest that agreement will be reached automatically, or that working together politically will come easily to groups who have often seen each other as opponents: farmers and city-dwellers, producers and consumers. However, the forces acting counter to the collectivist tradition are very powerful and moving very quickly, and unless collectivist interests can counter this with new alliances and with proposals of their own, it is difficult to imagine that current course can be altered.

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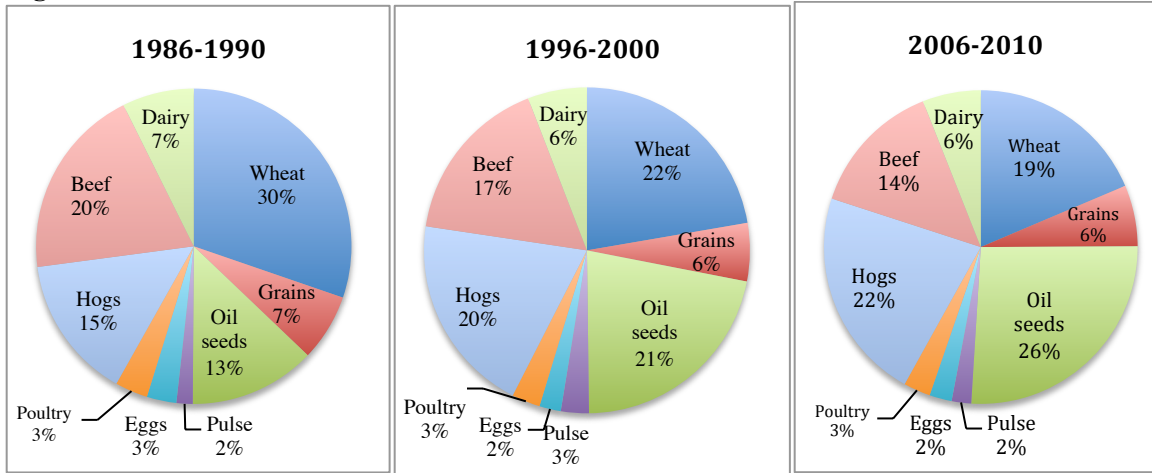
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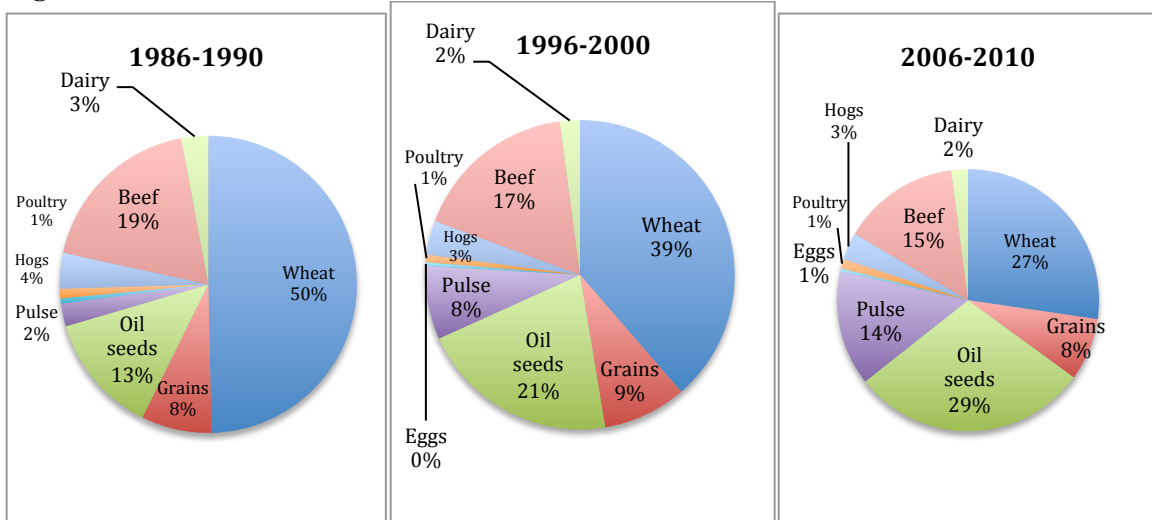
## Appendix

### Farm Commodity Receipts

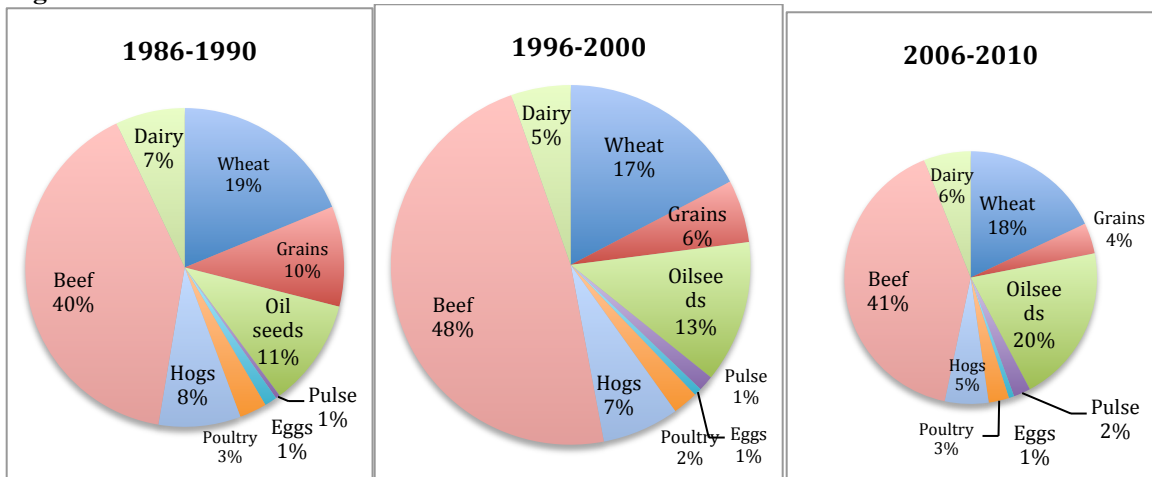
**Figure A.1. Manitoba**



**Figure A.2. Saskatchewan**



**Figure A.3. Alberta**

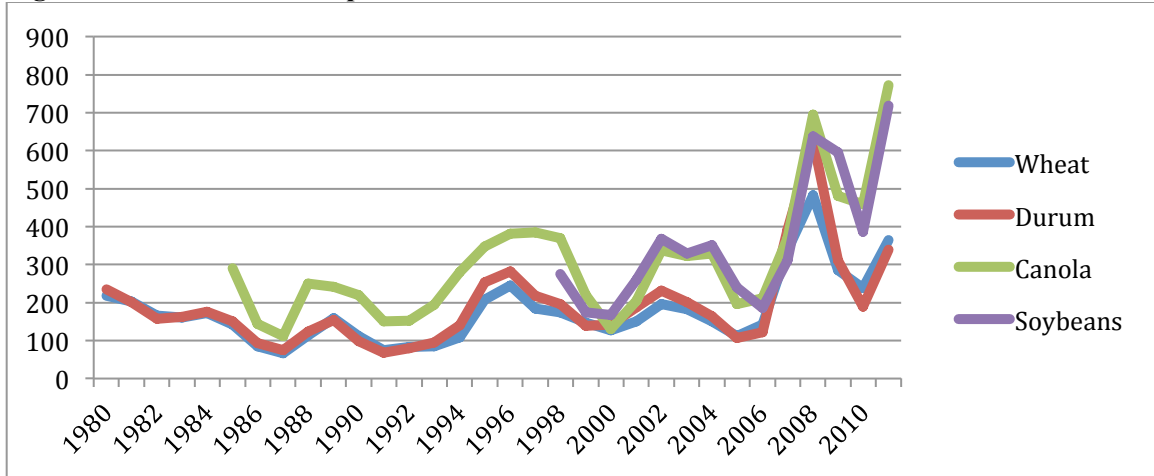


The graphs illustrate each commodity's percentage share of a province's total farm commodity receipts. These data are shown in three time periods for each province, to show changes over time.

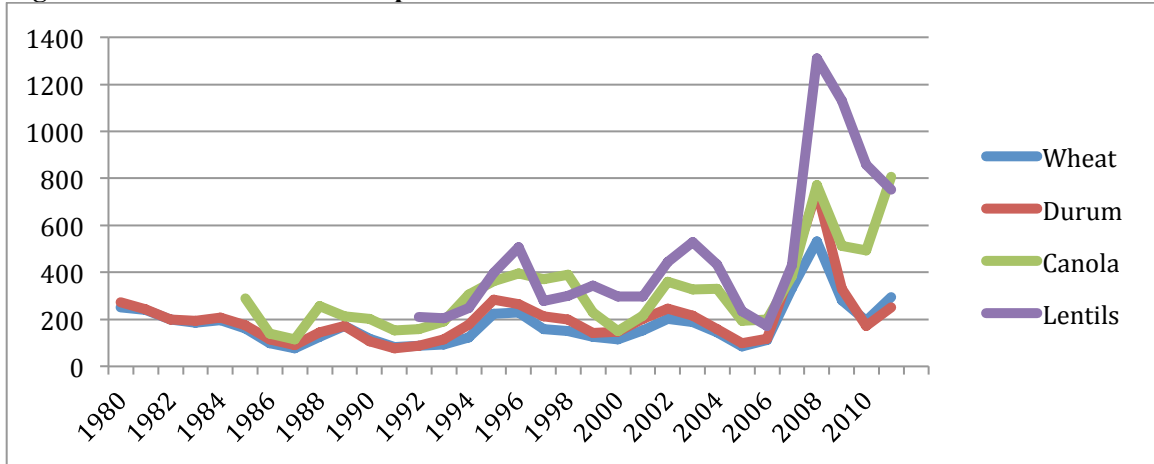
**Source:** Statistics Canada, Table 002-0001, <http://www5.statcan.gc.ca/cansim/a05?lang=eng&id=0020001>.

## Crop Prices

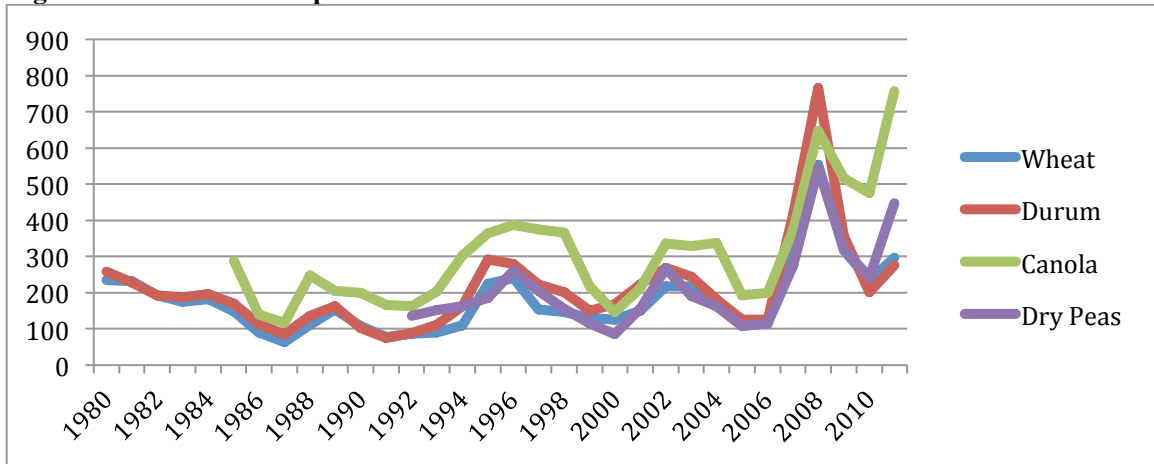
**Figure B.1. Manitoba Crop Prices**



**Figure B.2. Saskatchewan Crop Prices**



**Figure B.3. Alberta Crop Prices**

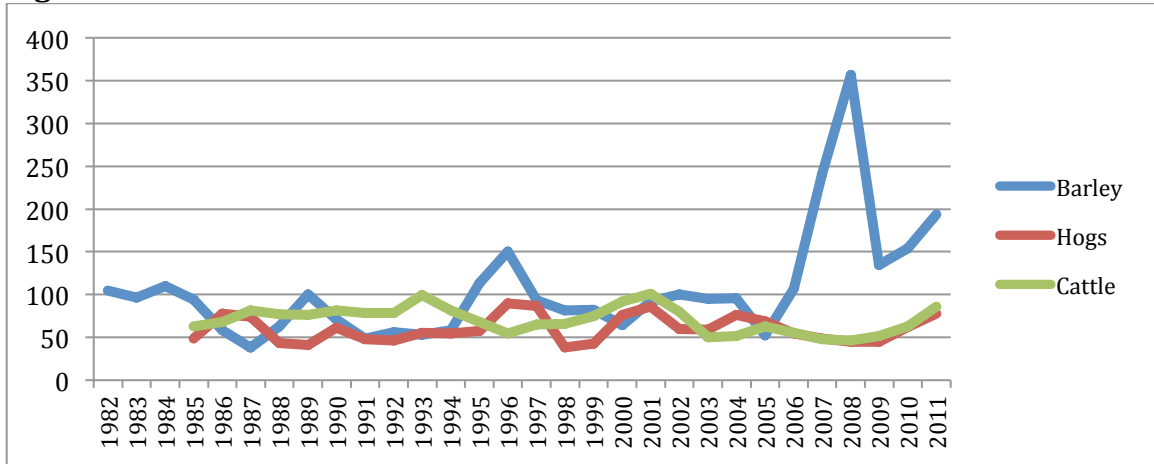


The graphs illustrate local prices over time for representative crops in each province. All prices are represented in dollars per tonne, and are adjusted for inflation in constant 1997 Canadian dollars.

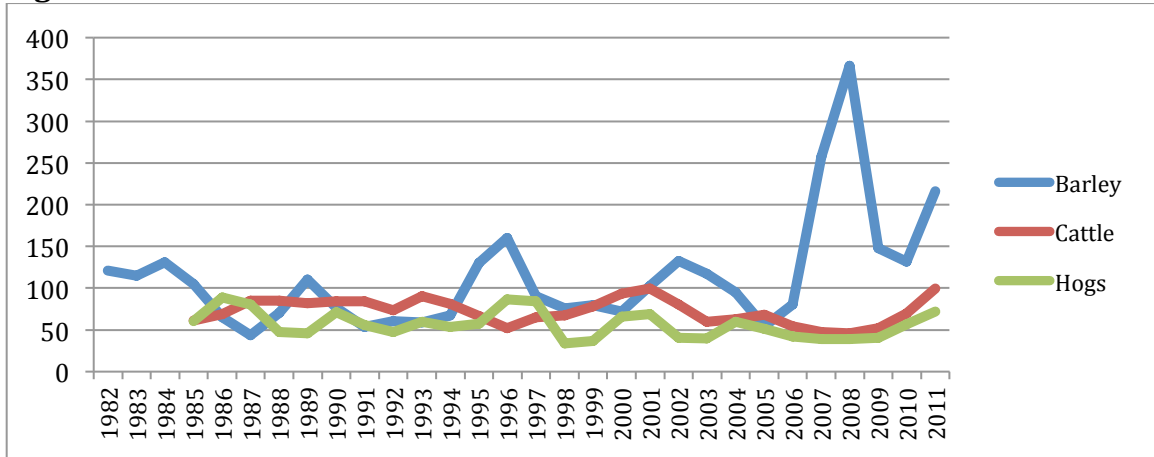
**Sources:** Statistics Canada, Table 002-0043 <http://www5.statcan.gc.ca/cansim/a05?lang=eng&id=0020043>, and Table 002-0022 <http://www5.statcan.gc.ca/cansim/a05?lang=eng&id=0020022>.

## Livestock & Feed Prices

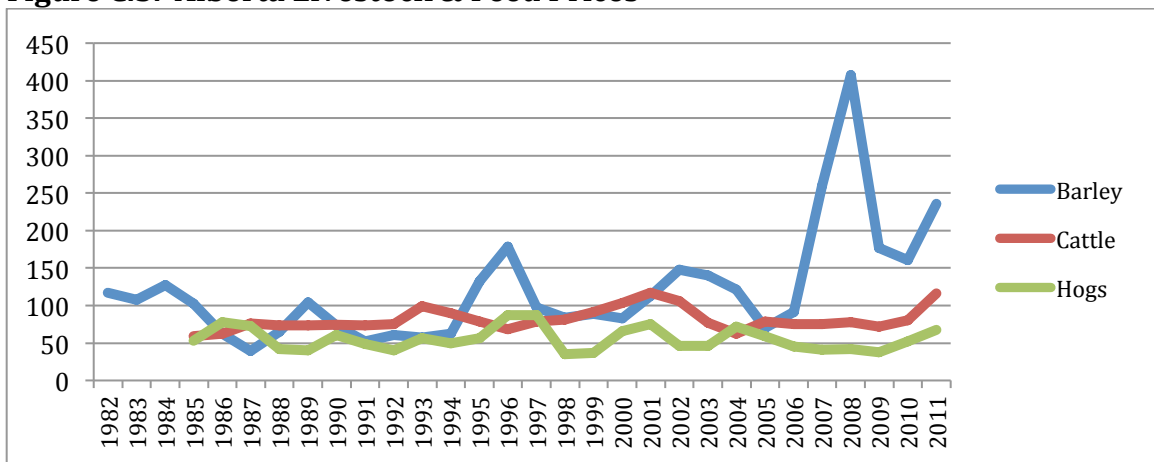
**Figure C.1. Manitoba Livestock & Feed Prices**



**Figure C.2. Saskatchewan Livestock & Feed Prices**



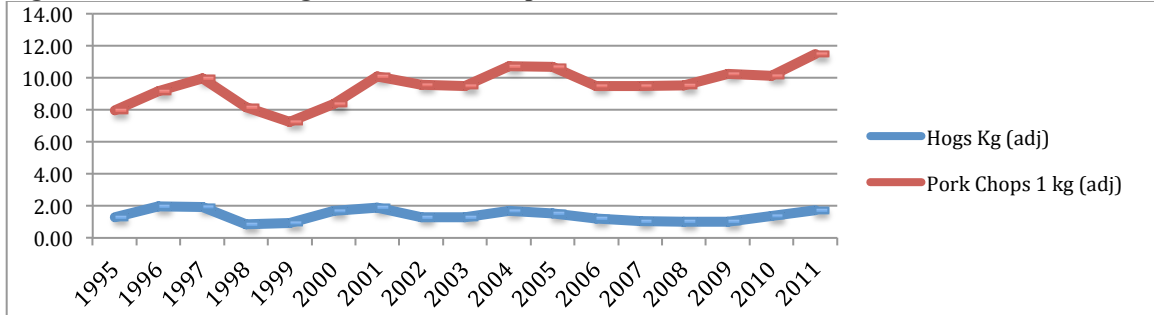
**Figure C.3. Alberta Livestock & Feed Prices**



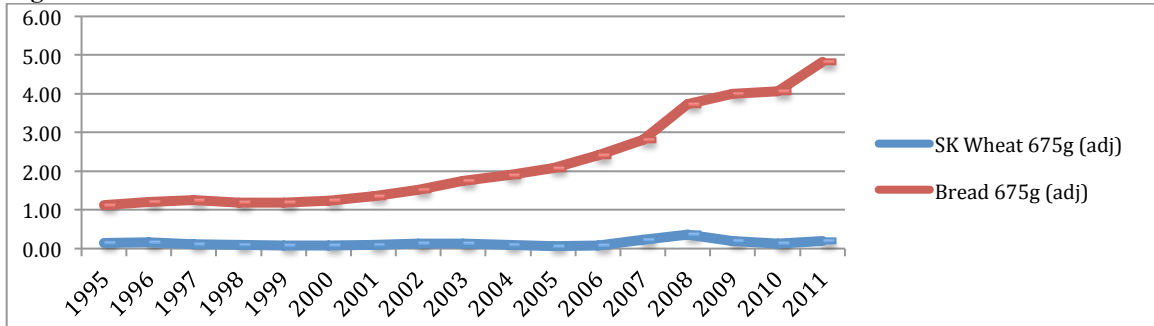
The graphs illustrate local prices over time for representative livestock and feed in each province. All prices are represented in dollars per tonne, and are adjusted for inflation in constant 1997 Canadian dollars. **Sources:** Statistics Canada, Table 002-0022, <http://www5.statcan.gc.ca/cansim/a05?lang=eng&id=0020043>, and Table 002-0043, <http://www5.statcan.gc.ca/cansim/a05?lang=eng&id=0020022>.

## Farmer's Share

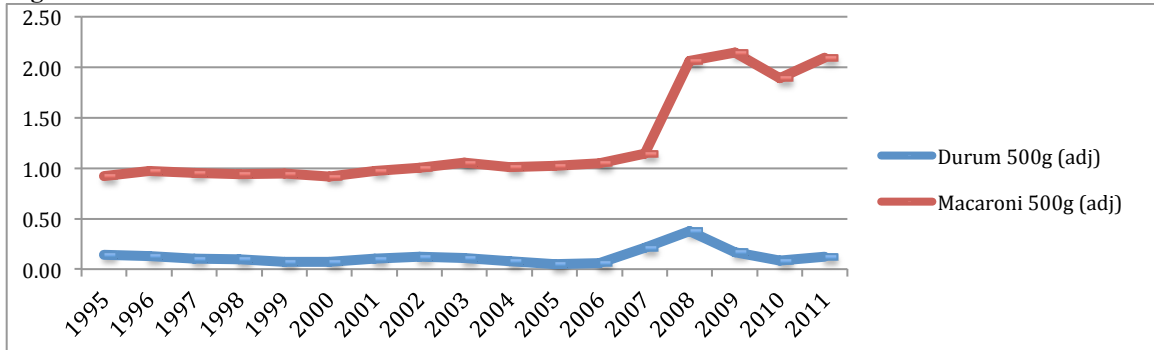
**Figure D.1. Manitoba Hog Price & Pork Chop Retail Price**



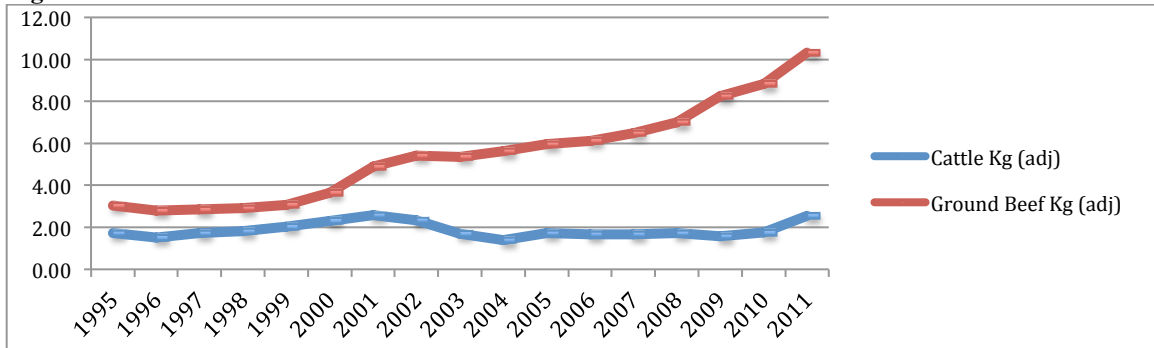
**Figure D.2. Saskatchewan Wheat Price & Bread Retail Price**



**Figure D.3. Saskatchewan Durum Price & Macaroni Retail Price**



**Figure D.4. Alberta Cattle Price & Ground Beef Retail Price**

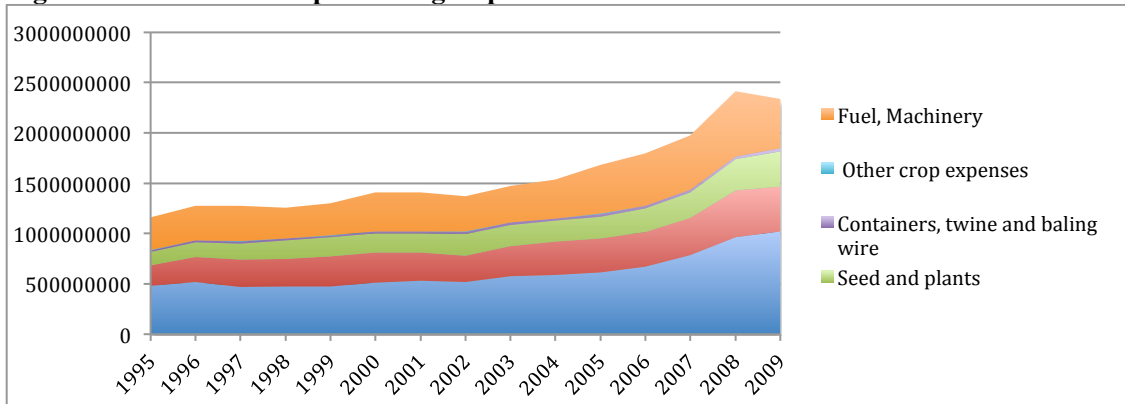


The graphs illustrate local farm commodity prices and retail food prices for representative items over time. All commodity prices are adjusted for inflation in Canadian 1997 dollars. All food prices are adjusted for inflation in Canadian 2002 dollars. Hogs, pork chops, cattle, and ground beef are represented in dollars per kilogram. Wheat and bread are represented in dollars per 675 grams. Durum and macaroni are represented in dollars per 500 grams.

**Sources:** Statistics Canada, Table 002-0021 <http://www5.statcan.gc.ca/cansim/a05?lang=eng&id=3260012> and Table 326-0012 <http://www5.statcan.gc.ca/cansim/a05?lang=eng&id=0020022>

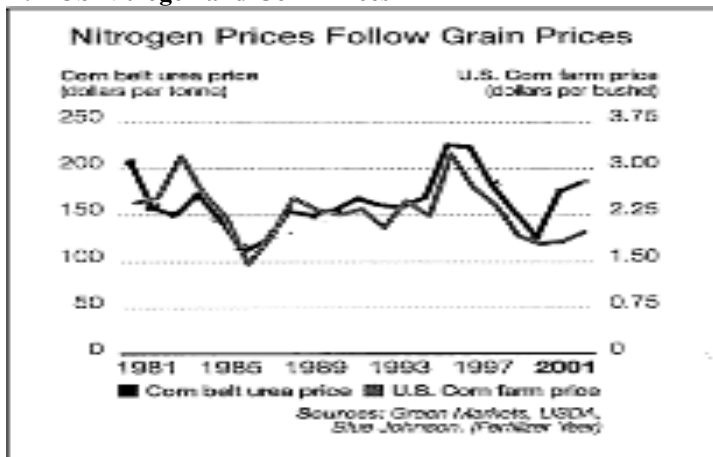
## Farm Expenses

**Figure E.1. Alberta Crop Farming Expenses**



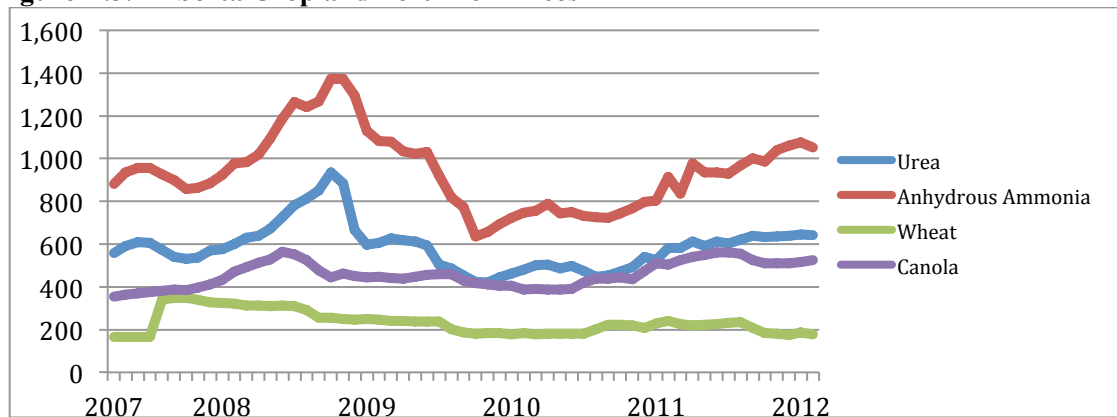
The graph illustrates crop farm expenses for each input category, in Alberta over time. Costs are expressed in actual current Canadian dollars. **Source:** Statistics Canada Table 002-0044 <http://www5.statcan.gc.ca/cansim/a05?lang=eng&id=0020044>.

## E.2 US Nitrogen and Corn Prices



The graph illustrates US Nitrogen and Corn prices over time. **Source:** Agrium, 2001 Annual Report: *Positioned for Success*, 15. [http://www.agrium.com/includes/Agrium\\_AR2001.pdf](http://www.agrium.com/includes/Agrium_AR2001.pdf).

**Figure E.3. Alberta Crop and Fertilizer Prices**

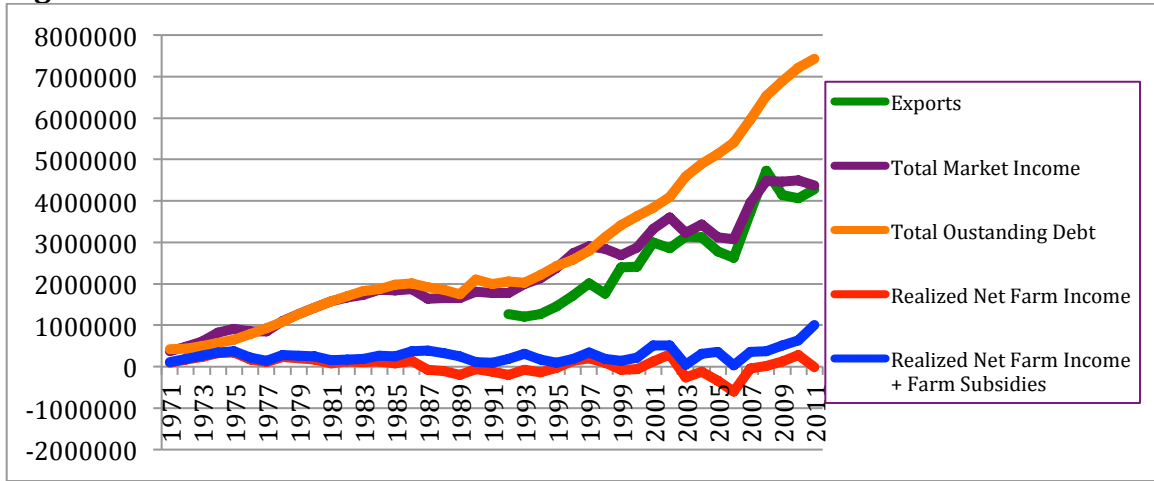


The graph illustrates prices for representative fertilizer (Urea and Anhydrous Ammonia) and crops (wheat and canola) in Alberta over time. Prices are represented in dollars per tonne. **Source:** Average Farm Input Prices for Alberta Table, Statistics and Data Development Branch, Economics and Competitiveness Division, Alberta Agriculture and Rural Development <http://www.agric.gov.ab.ca/app21/farminputprices?>

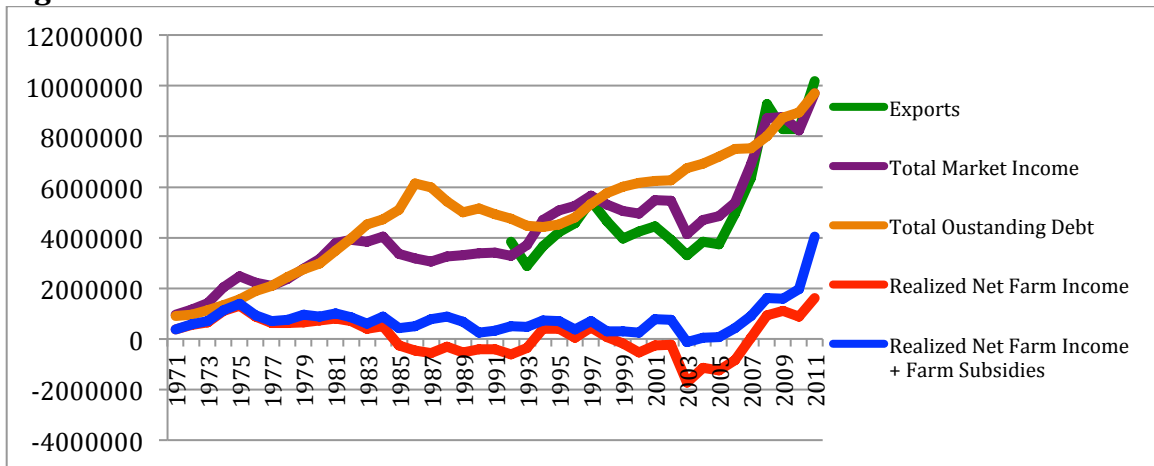


## Farm Financial Data Profiles

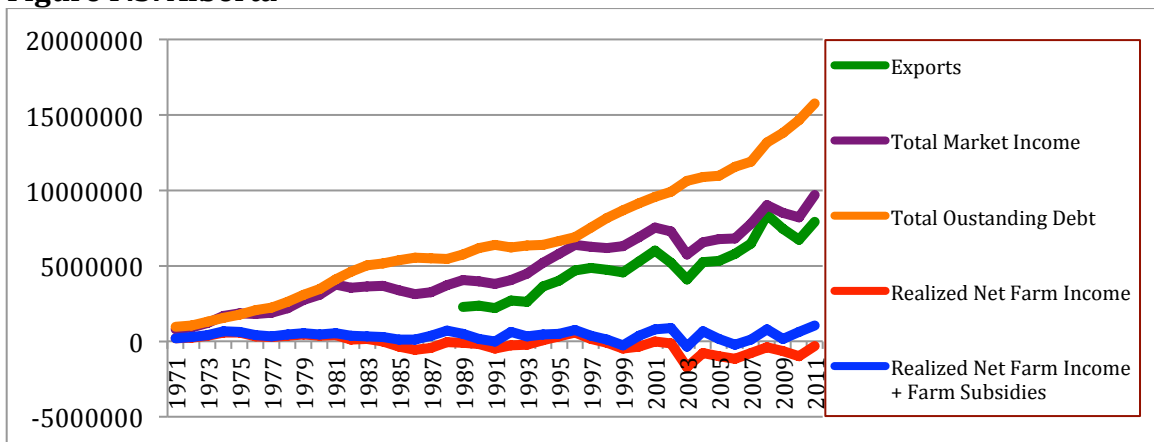
**Figure F.1. Manitoba**



**Figure F.2. Saskatchewan**



**Figure F.3. Alberta**

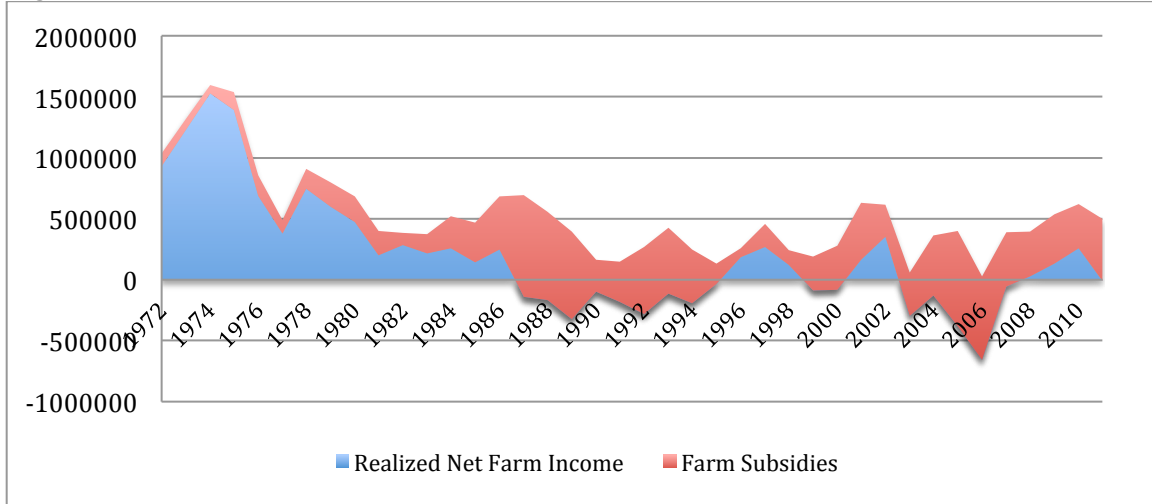


The graphs illustrate agriculture and agri-food exports (Exports), total market revenue, total outstanding debt, realized net farm income, and realized net farm income including farm subsidy payments, for each province, over time. Figures are expressed in current Canadian thousands.

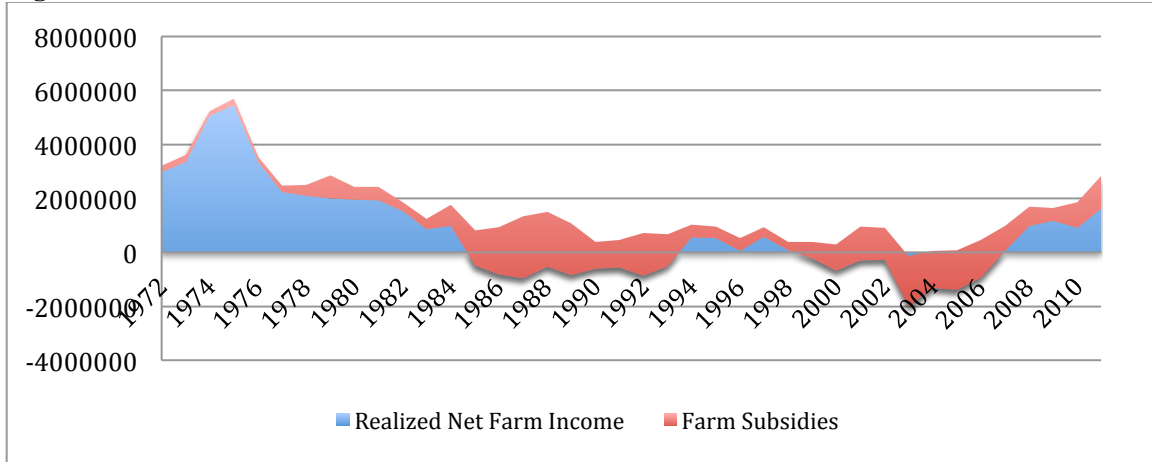
**Sources:** Trade Data Online database, Industry Canada <http://www.ic.gc.ca/eic/site/tdo-dcd.nsf/eng/Home>; Statistics Canada Table 002-0001 <http://www5.statcan.gc.ca/cansim/a05?lang=eng&id=0020001>; Table 002-0008 <http://www5.statcan.gc.ca/cansim/a05?lang=eng&id=0020008>; Table 002-0009 <http://www5.statcan.gc.ca/cansim/a05?lang=eng&id=0020009>.

## Government Payments & Realized Net Farm Income

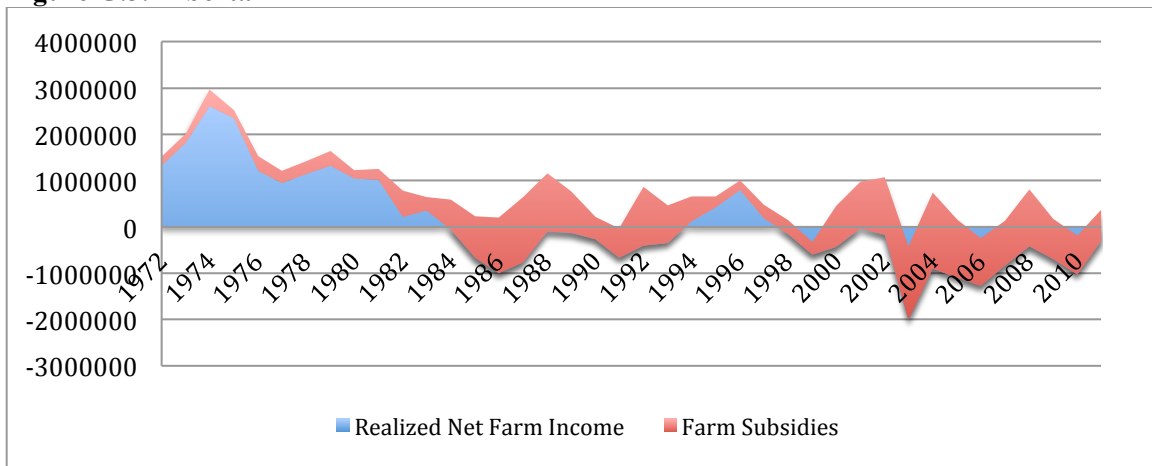
**Figure G.1. Manitoba**



**Figure G.2. Saskatchewan**



**Figure G.3. Alberta**



The graphs illustrate realized net farm income and farm subsidy payments for each province, over time. All figures are expressed in constant 2002 Canadian thousands of dollars.

**Sources:** Statistics Canada, Table 002-0001

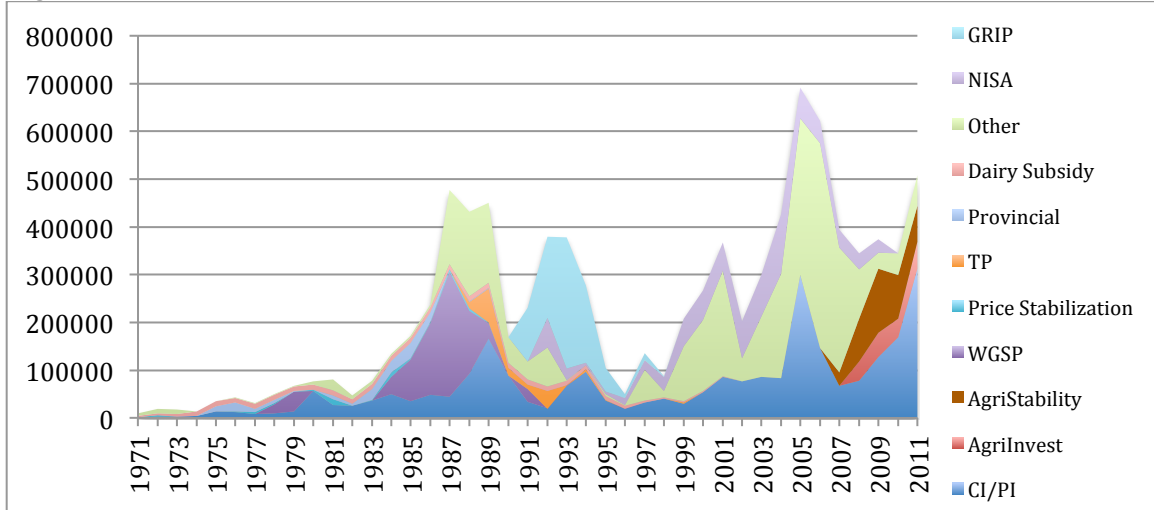
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Table 002-0009 <http://www5.statcan.gc.ca/cansim/a05?lang=eng&id=0020009>;

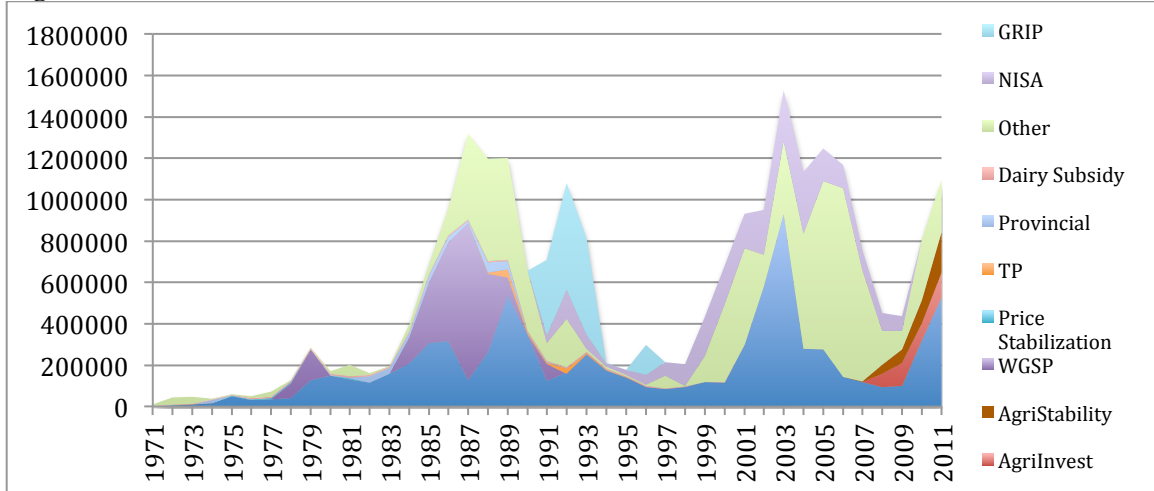
Table 326-0021 <http://www5.statcan.gc.ca/cansim/a05?lang=eng&id=3260021>.

## Government Payments By Program

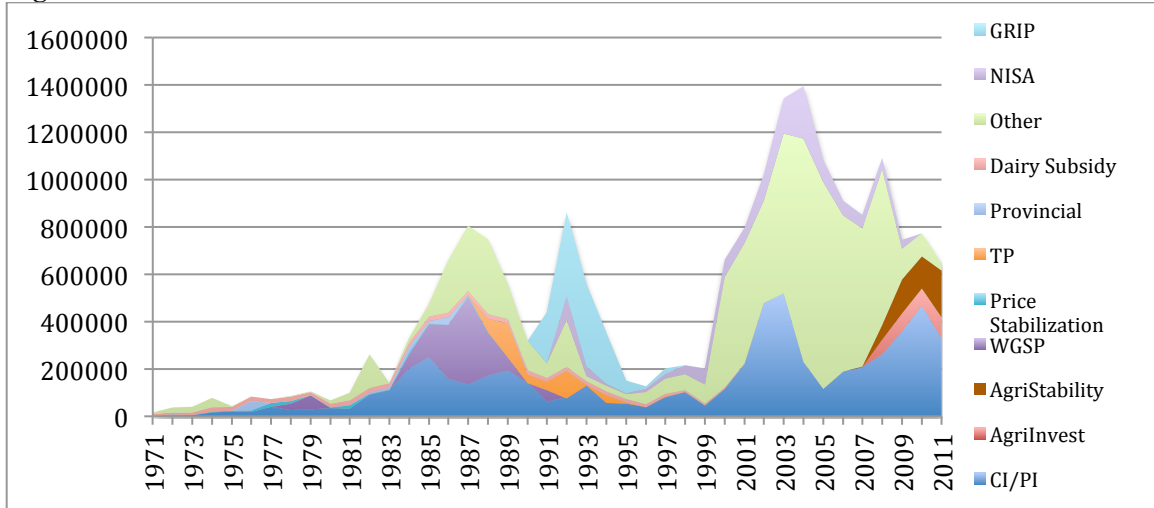
**Figure H.1. Manitoba**



**Figure H.2. Saskatchewan**



**Figure H.3. Alberta**

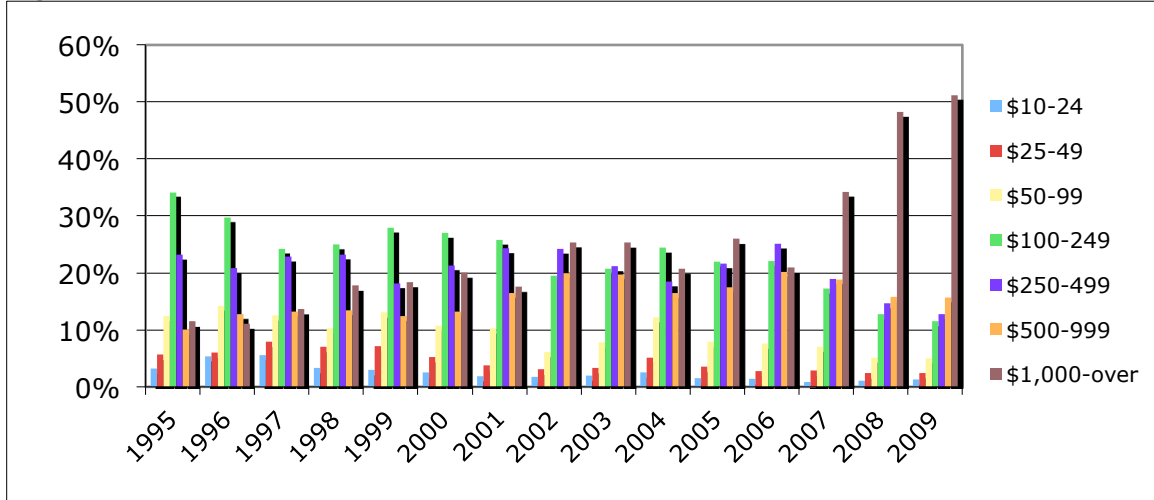


The graphs illustrate farm subsidy payments by program in each province over time. All figures are expressed in current Canadian millions of dollars.

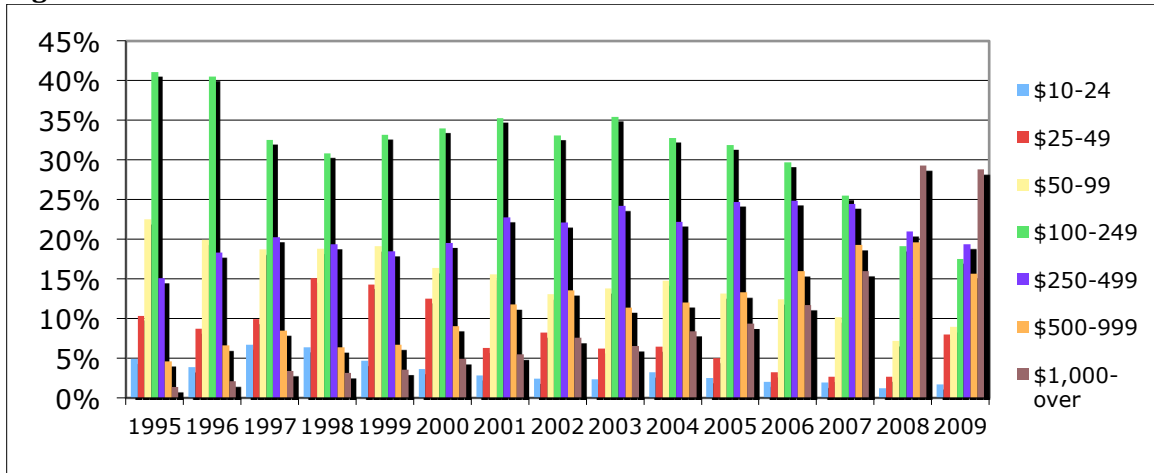
**Source:** Statistics Canada Table 002-0001 <http://www5.statcan.gc.ca/cansim/a05?lang=eng&id=0020001>

## Government Payments By Farm Class

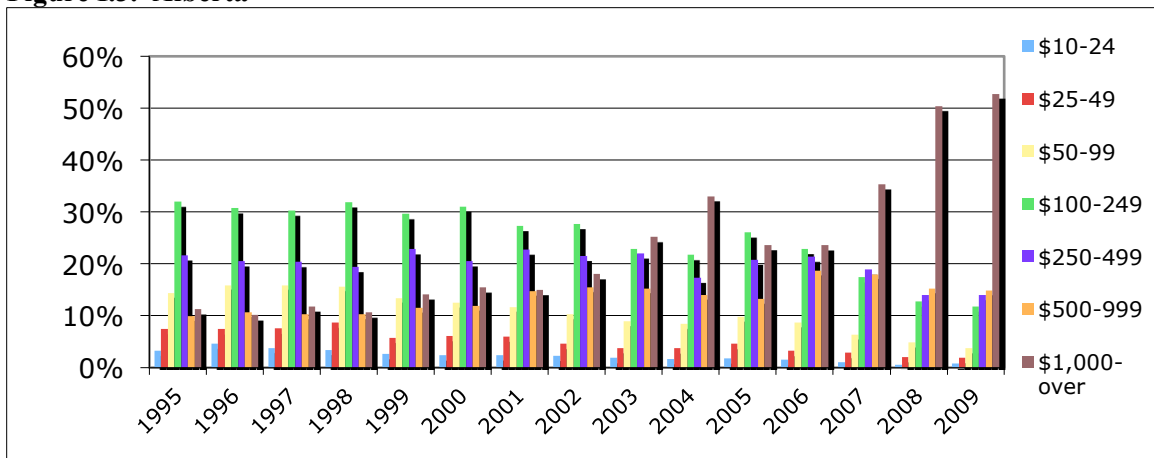
**Figure I.1. Manitoba**



**Figure I.2. Saskatchewan**



**Figure I.3. Alberta**

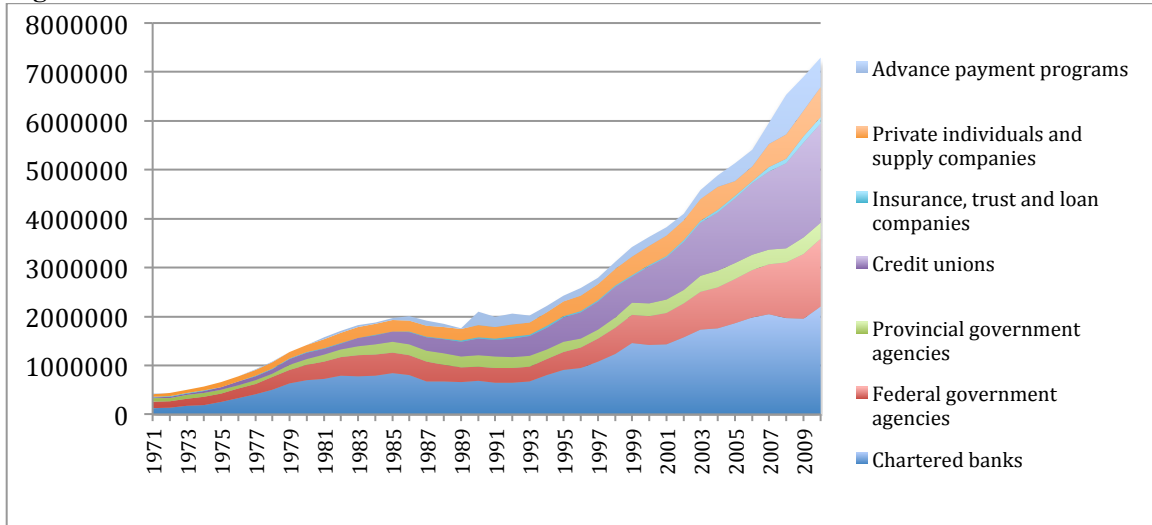


The graphs illustrate the proportion of farm subsidy payments that have been made to farmers in each gross revenue class (expressed in thousands of Canadian dollars), for each province, over time.

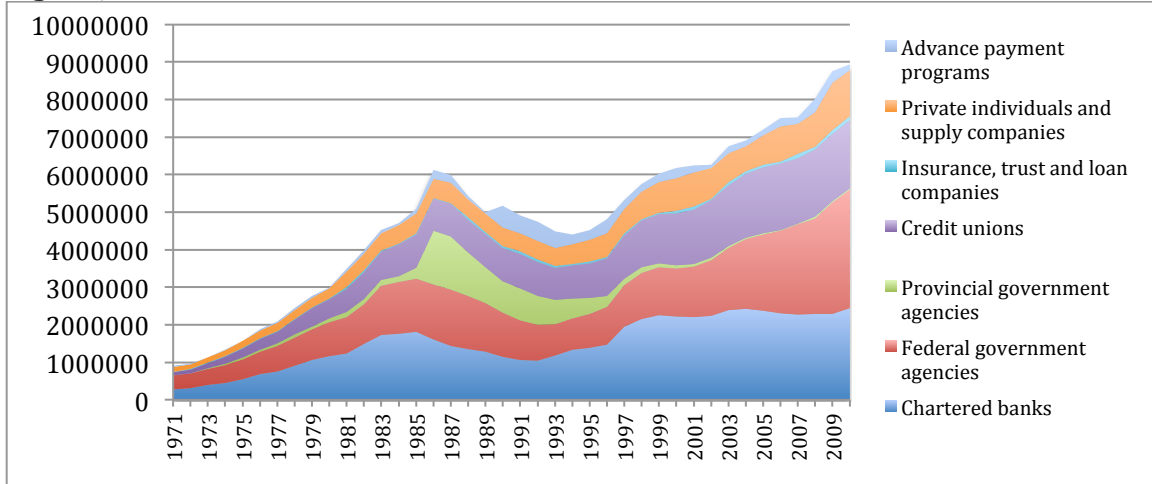
**Source:** Canadian Farm Financial Database [http://cansim2.statcan.gc.ca/cgi-win/cnsmcgi.pgm?Lang=E&CANSIMFile=CFFD-BDFEAC%5CESAS\\_SESA-eng.htm](http://cansim2.statcan.gc.ca/cgi-win/cnsmcgi.pgm?Lang=E&CANSIMFile=CFFD-BDFEAC%5CESAS_SESA-eng.htm)

## Farm Debt By Lender

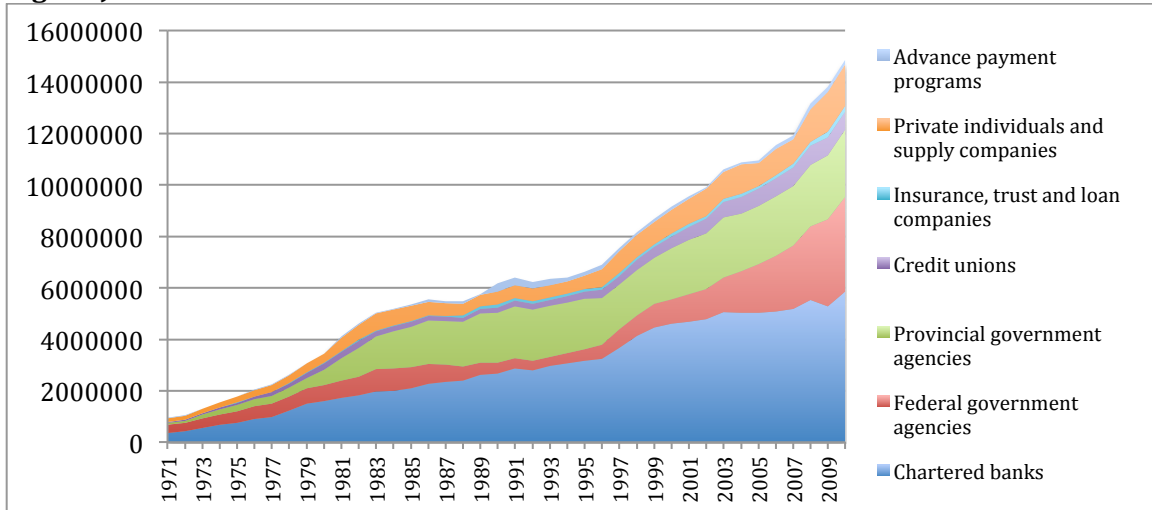
**Figure J.1. Manitoba**



**Figure J.2. Saskatchewan**



**Figure J. 3. Alberta**

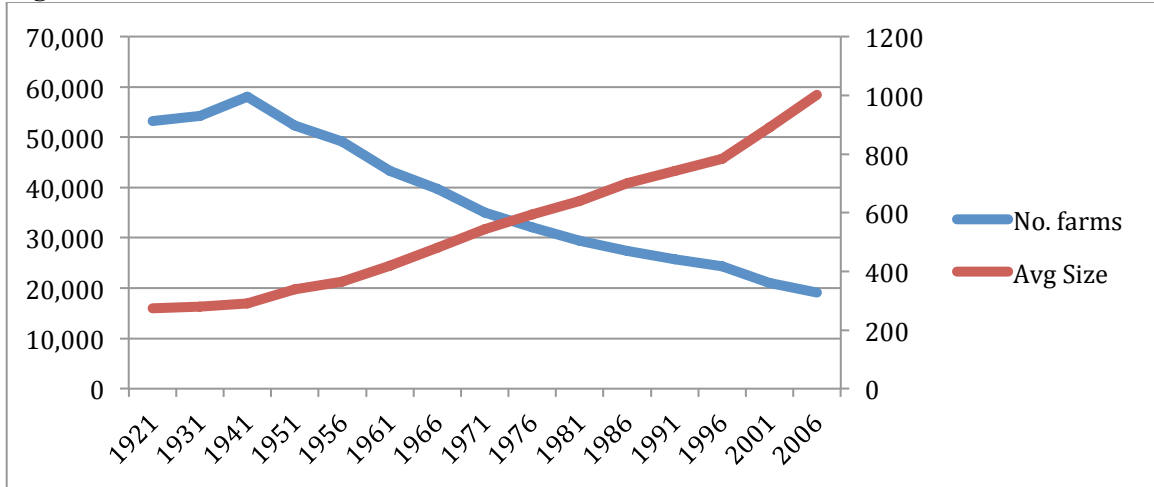


The graphs illustrate farm debt by lending source, for each province over time. All figures are expressed in current Canadian millions of dollars.

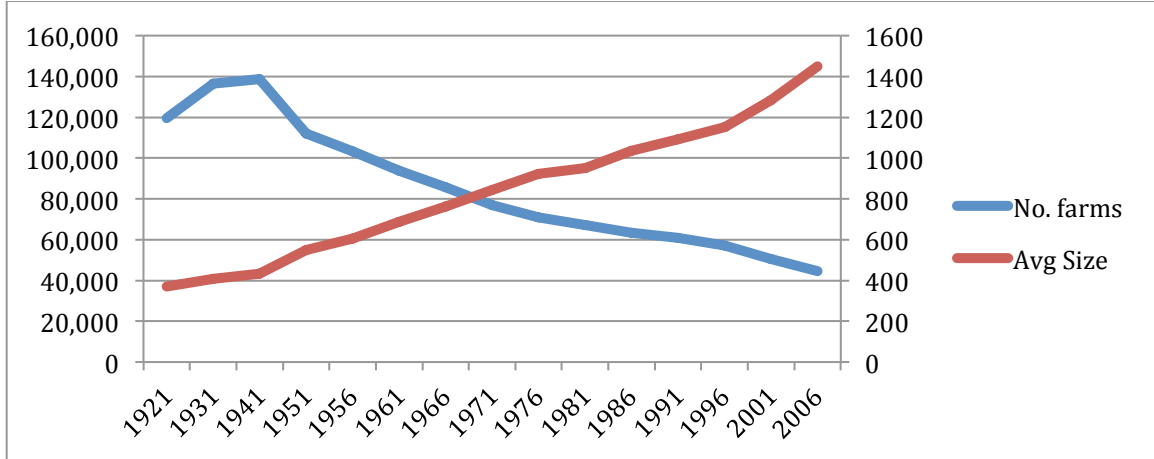
**Source:** Statistics Canada Table 002-0008 <http://www5.statcan.gc.ca/cansim/a05?lang=eng&id=0020008>

## Number of Farms & Average Farm Size

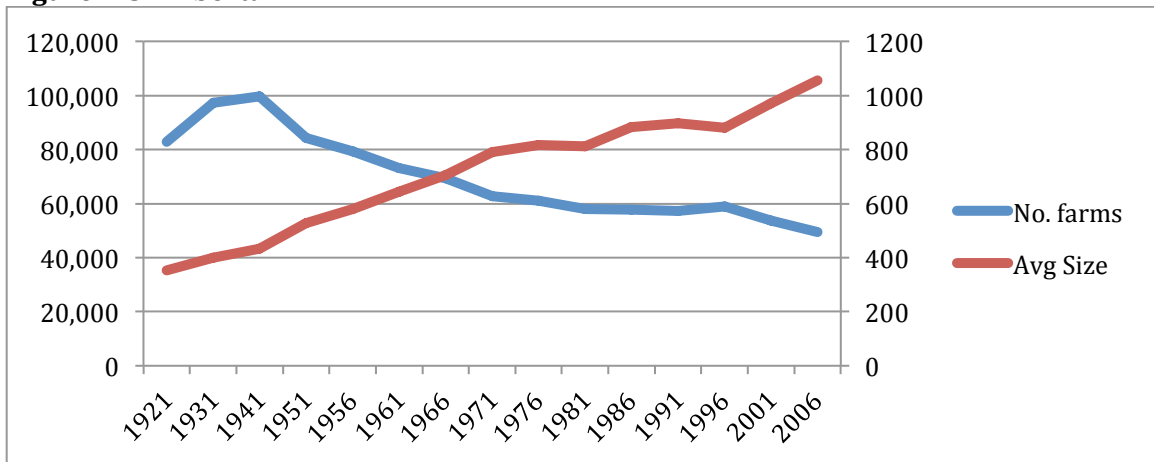
**Figure K.1. Manitoba**



**Figure K.2. Saskatchewan**



**Figure K.3. Alberta**

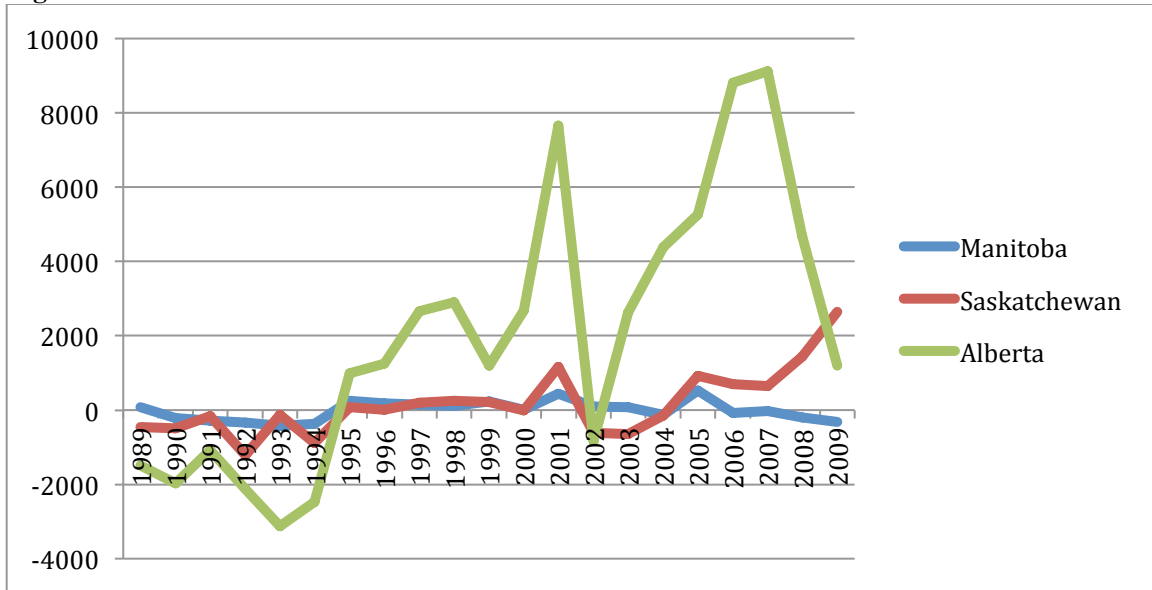


The graphs illustrate the change in the number of farms and the average size of farms in each province over time. The graphs show the actual numbers for each. Farm numbers appear on the right side of the graph, and average farm size is expressed on the right side of the graph. The average size of farms is expressed in acres.

**Source:** Census of Agriculture 1921-2006.

## Government Revenues and Expenditures

**Figure L.**

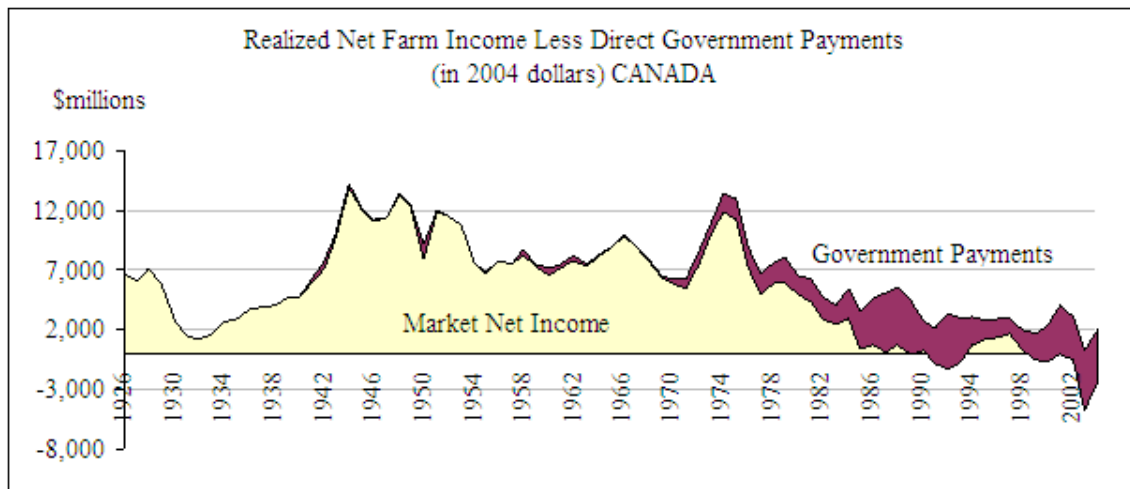


The graph illustrates the surplus/deficit status of each provincial government over time. Figures are expressed in current millions of Canadian dollars.

**Source:** Statistics Canada Table 385-0001 <http://www5.statcan.gc.ca/cansim/a05?lang=eng&id=3850001>

## Government Payments and Realized Net Farm Income, Historical

**Figure M.**



This graph illustrates realized net farm income and government payments (farm subsidies) for Canada, from 1926 to 2004. All figures are expressed in constant 2004 dollars. This graph complements Figures G.1, G.2. and G.3 above, by illustrating the broader historical context of this data.

**Source:** *Agriculture and Agri-Food Policy in Canada: Putting Farmers First!*, Interim Report of the Standing Committee on Agriculture and Forestry, 39<sup>th</sup> Parl., 1<sup>st</sup> sess., June 2006, accessed March 15, 2012, <http://www.parl.gc.ca/Content/SEN/Committee/391/agri/rep/repintjun06-e.htm>.

## Canada's International Commitments To Recognizing The Right To Food

**Table 1.**

<b>Agreement</b>	<b>Year Signed By UN</b>	<b>Year Ratified By Canada</b>	<b>Content</b>
Universal Declaration of Human Rights	1948	Non-binding	Describes the set of human rights to be protected internationally. Declares the right to adequate standard of living, including food.
International Covenant on Economic, Social and Cultural Rights (ICESCR)	1966	1976	Recognizes the right to an adequate standard of living, including food. Recognizes the right to be free from hunger.
Convention on the Rights of the Child	1989	1991	Sets out the obligations for the rights of children to health and an adequate standard of living.
World Declaration on Nutrition	1992	Non-binding	Recognizes food as an essential component to an adequate standard of living.
Rome Declaration on World Food Security and World Food Summit Plan of Action	1996	Non-binding	Seeks clarification of the content of the right to food and suggests international organizations complete the task.
General Comment 12, The Right to Adequate Food (Article 11 of ICESCR), Committee on Economic, Social and Cultural Rights (CESCR)	1999	Non-binding	Establishes the precise content and means of implementation of the right to food.

The table outlines Canada's international agreements recognizing the right to food.

**Source:** adapted from a table appearing in Karen Ridout, Graham Riches, Alec Ostry, Don Buckingham, and Rod MacRae, "Bringing Home the Right to Food in Canada," *Public Health Nutrition* 10, no. 6 (June 2007): 567.



## Principles of Food Sovereignty

**Table 2.**

Focuses on Food for People	<ul style="list-style-type: none"> <li>• Puts peoples need for food at the center of policies</li> <li>• Insists that food is more than just a commodity</li> </ul>
Values Food Providers	<ul style="list-style-type: none"> <li>• Supports sustainable livelihoods</li> <li>• Respects the work of all food providers</li> </ul>
Localizes Food Systems	<ul style="list-style-type: none"> <li>• Reduces distance between food providers and consumers</li> <li>• Rejects dumping and inappropriate food aid</li> <li>• Resists dependency on remote and unaccountable corporations</li> </ul>
Puts Control Locally	<ul style="list-style-type: none"> <li>• Places control in the hands of local food providers</li> <li>• Recognizes the need to inhabit and to share territories</li> <li>• Rejects the privatization of nature</li> </ul>
Builds Knowledge and Skills	<ul style="list-style-type: none"> <li>• Builds on traditional knowledge</li> <li>• Uses research to support and pass this knowledge to future generations</li> <li>• Rejects technologies that undermine or contaminate local food systems</li> </ul>
Works with Nature	<ul style="list-style-type: none"> <li>• Optimizes the contributions of ecosystems</li> <li>• Improves resilience</li> </ul>

The table outlines the six principles of food sovereignty developed at the Nyeleni 2007: Forum for Food Sovereignty.

**Source:** International Planning Committee for Food Sovereignty

<http://www.foodsovereignty.org/FOOTER/Highlights.aspx>