

# The Structural Adjustment of Canadian Agriculture

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# About the Authors

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# Introduction

The term “structural adjustment” is most commonly used to describe programs that the World Bank and International Monetary Fund (IMF) impose on highly-indebted developing<sup>1</sup> nations. Much of the Canadian economy, however, has also been structurally adjusted. Canadian agriculture offers a clear example of how structural adjustment is being implemented within Canada—with negative results similar to those experienced in other nations.

Structural adjustment is the favourite prescription for ailing, debt-ridden nations. But this therapy, purported to restore economic health and competitive vigour, often causes terrible economic and social illness to the societies undergoing the adjustments. For most of the population, the structural adjustment medicine, far from curing the ailment, serves only to aggravate their poverty, disempowerment, and family and community breakdown. The current state of Canadian agriculture demonstrates this irony with a vengeance: while the structures of agriculture are being reordered to meet market demands, the people in agriculture are paying a heavy toll.

Two decades of structural adjustment have devastated farm families and rural communities. Statistics on declining farm incomes and farm numbers tell only half the story. Although more difficult to quan-

tify, the social and cultural losses caused by the destruction of communities are also the very real consequences of structural adjustment policies—here in Canada, as in other countries where these policies have been implemented.

This paper makes the case that Canadian government agricultural policy—and the reorganization of agriculture—includes the seven main components of an IMF-style structural adjustment program: an increased focus on production for export, cuts to government spending, deregulation, increased foreign investment, privatization, removal of subsidies and other supports, and the adoption of a free-floating currency. And it demonstrates that the effect of structural adjustment—in Canada and around the world—is to accelerate the transfer of wealth from local producers to transnational corporations.

**Two decades of structural adjustment have devastated farm families and rural communities.**

<sup>1</sup> The authors recognize the problems with this term and regret that no superior term is available.

# Part 1

## The IMF and Structural Adjustment

In July 1944, at the height of World War II, representatives from the U.S., Britain, and 43 other countries gathered at Bretton Woods, New Hampshire, to create the international institutions that have increasingly dominated the post-war period: the World Bank and the International Monetary Fund (IMF)

For its first three-and-a-half decades, the IMF played only a minor role in the world economy and provided only a small fraction of the international loans to developing countries. In the 1980s, however, the aftermath of two oil shocks, irresponsible lending by the banks, and a worldwide recession plunged many developing nations into a debt repayment crisis. The private banks, which held the majority of the debt, looked to the IMF for help, and the IMF obliged.

As part of any debt bailout package, however, the IMF imposes strict conditions on debtor countries. The IMF often refuses to loan additional money—often money needed to pay interest on previous loans—unless recipient countries agree to a package of economic reforms. The IMF calls such reform packages “structural adjustment programs.” Many are calling them “austerity programs.”<sup>2</sup>

The key components of a structural adjustment program include:

1. rapid export expansion and a focus on production for export;
2. dramatic cuts in government spending;
3. deregulation;
4. measures to attract and safeguard foreign investment;

5. privatization of government industries and utilities;
6. removal of subsidies, price controls, and other supports; and
7. implementation of a free-floating currency (often accompanied by rapid devaluation).

To understand the IMF’s real purpose and the aims of its structural adjustment programs, it is important to understand that *the IMF is designed, first and foremost, to foster and expand trade, not simply to deal with debt.* The IMF, and the banks and dominant nations which control it, are concerned about debt, but they are much more concerned about the threat that such debt presents to the global economy, to global trade, and to global prosperity.

The IMF’s first Article of Agreement lays out its purpose:

- (i) To promote international monetary cooperation through a permanent institution which provides the machinery for consultation and collaboration on international monetary problems.
- (ii) To facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels

<sup>2</sup> The IMF can force countries to restructure their economies, even in the face of strong opposition by the citizens in the restructured countries. The IMF’s power extends far beyond the money that it has to lend. A debtor country knows that it will be very difficult to gain credit from any sources, private or public, unless the country can make a deal with the IMF. Further, default is seldom an option. Banks, the IMF, and creditor governments make it very clear that default means economic isolation and the seizure of assets abroad. A country in default would find it hard to operate an airline, use its ships for trade, maintain embassies, access spare parts, or even purchase medicine. Further, the assets and foreign bank accounts of ruling families would be seized. Economic isolation would mean that the national currency was worthless outside the country. While debt repayment and structural adjustment are bitter pills for the elites of the debtor countries, these measures are often better than the alternatives—default and economic isolation. The same may not be true for the citizens of the debtor countries.

of employment and real income and to the development of the productive resources of all members as primary objectives of economic policy.

- (iii) To promote exchange stability, to maintain orderly exchange arrangements among members, and to avoid competitive exchange depreciation.
- (iv) To assist in the establishment of a multilateral system of payments in respect of current transactions between members and in the elimination of foreign exchange restrictions which hamper the growth of world trade.
- (v) To give confidence to members by making the general resources of the Fund temporarily available to them under adequate safeguards, thus providing them with opportunity to correct maladjustments in their balance of payments without resorting to measures destructive of national or international prosperity.
- (vi) In accordance with the above, to shorten the duration and lessen the degree of disequilibrium in the international balances of payments of members.<sup>3</sup>

Notice the IMF's focus on "the expansion and balanced growth of international trade"; "exchange stability"; "balance of payments"; "multilateral system of payments in respect of current transactions between members"; "international prosperity"; and "the elimination of foreign exchange restrictions which hamper the growth of world trade." From its inception, the IMF was designed to smooth and facilitate trade and growth.

To accelerate trade, the world's dominant nations and corporations use the IMF and its structural adjustment programs as they use the World Trade Organization (WTO): to pry open local economies, and to draw developing nations into the global, corporate, "free-trade" economy. Structural adjustment programs—like trade and

investment agreements—are designed to remove barriers to the extraction of wealth by the dominant corporations and nations. It is no coincidence that the IMF's cure for indebtedness requires that:

- nations being restructured must replace subsistence agriculture and traditional crops for local consumption with cash crops for export (providing cheap raw materials for first-world processors and a larger pool of agriculture trade to enrich food-trading corporations);
- oil and mining corporations (usually foreign ones) must be allowed and encouraged to drill wells and dig mines, ostensibly so the indebted country can earn foreign exchange with which to repay loans;
- manufacturing plants that previously served the local economy must be shut down, sold to foreign investors, or turned to export production (usually to provide inexpensive export goods, under contract to major transnationals);
- debtor countries that accept structural adjustment must remove restrictions on foreign ownership and on the repatriation of profits;
- nations being restructured must privatize publicly-owned utilities and companies; and
- minimum wage laws and other labour regulations must be relaxed.

Since World War II, the principal aim of the world's dominant nations and corporations has been to ensure that they are the *primary beneficiaries* of the world's wealth and resources, no matter where that wealth or those resources are found. The U.S., Japan, Europe, and their respective transnationals have worked to gain unfettered access to the world's oil, minerals, forests, labour force, agricultural land, and consumer markets. These corporations and their (nominal) governments

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<sup>3</sup> Articles of Agreement of the International Monetary Fund, Article 1.

have used coups, puppet governments, aid dollars, invasions, the WTO, the UN, the World Bank, and the IMF and its structural adjustment programs to ensure that domestic governments and indigenous populations do not stand in the way of the

profits of these dominant players. The IMF and its structural adjustment programs are best understood in this context. Likewise, the structural adjustment of Canadian agriculture is best understood in this context.

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## Part 2

### The Structural Adjustment of Canadian Agriculture

Many Canadians think that the IMF and World Bank apply their structural adjustment programs only in countries such as Korea, Jamaica, Peru, or Argentina. The Canadian government, however, has restructured agriculture and rural Canada using policy tools remarkably similar to those of the IMF/World Bank. In Canada, the instruments of structural adjustment have been the WTO, the Canada-U.S. Free Trade Agreement (CUSTA), the North American Free Trade Agreement (NAFTA), and an ideologically-driven campaign of deregulation, privatization, and budget-cutting by governments beginning in the 1980s.

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The following examines how the Canadian government has imposed each of the seven key components of structural adjustment on Canadian agriculture.

#### 1. The rapid expansion of exports and a focus on production for export

Beginning in the 1980s, the Canadian federal government has been fixated on increasing Canadian agri-food exports. So focused are they on this goal that, by 1989, farm leaders were publicly noting that Canada no longer had an agriculture policy as such, but instead had “a trade policy that masquerades as farm policy.”<sup>4</sup>

The Canadian government has been very successful in encouraging increased agri-

food exports. At the government’s urging, farmers and the industry doubled exports in just seven years: from \$10 billion in 1989 to over \$20 billion in 1996.<sup>5</sup> Emboldened by their success, Canadian Ministers of Agriculture set a new goal of capturing 4% of world agri-trade (about \$40 billion in exports) by 2005.<sup>6</sup>

While Canadian food exports have risen, the farmers producing that food have suffered. This mirrors the experience with structural adjustment programs in developing countries around the world: exports rise, even as the nation’s population falls further into poverty, often displaced from the countryside into sprawling shantytowns ringing major cities.

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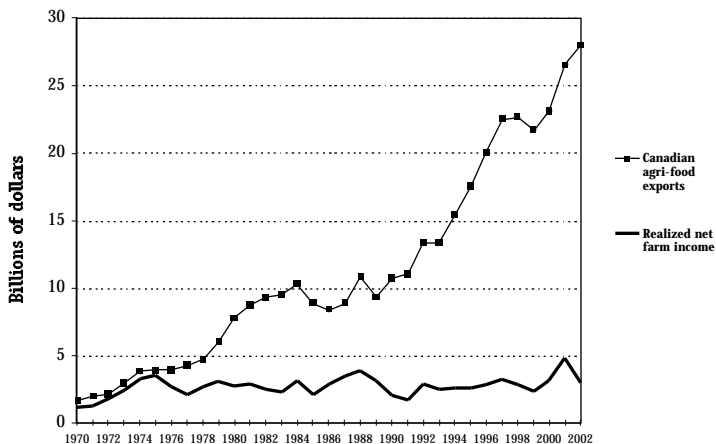
<sup>4</sup> Nettie Wiebe quoted in: “NFU official wants a farm policy; not a trade policy,” Barbara Duckworth, *Western Producer*, February 2, 1989, p. 60.

<sup>5</sup> Canadian Department of Agriculture and Agri-Food (AAFC) Agri-Food Trade Service, *Agri-Food Export Potential for the Year 2000*; AAFC, *Canada’s Trade in Agricultural Products*, various years: 1988, 1989, and 1990.

<sup>6</sup> The Canadian Ministers of Agricultural agreed, at their annual summer meeting in July of 1998, “to work with industry in reaching a target of four per cent of world agri-food trade by the year 2005.” (Federal-Provincial-Territorial Communiqué, July 16, 1998) Note that the 4%/\$40 billion target was originally proposed by the Canadian Agricultural Marketing Council (CAMC), a “private sector led government-business partnership established to advise the federal government on how the government can facilitate the business of growing exports.” (From the CAMC website: [www.camc-ccca.org](http://www.camc-ccca.org)) CAMC membership included representatives from Maple Leaf Foods International, Cargill, Nabisco, and McCain Foods along with token producer representatives.

Figure 1, below, shows that, despite a tripling of agri-food exports since 1989, and a seven-fold increase since 1974, farmers' realized net incomes have remained stagnant (figures are not adjusted for inflation).

Figure 1: Canadian agri-food exports and realized net farm income: 1970-2002



Sources: Statistics Canada Cat. No. 21-603E; AAFC Agri-Food Trade Service, "Agri-Food Export Potential for the Year 2000"; AAFC, "Canada's Trade in Agricultural Products", various years including 1988, 1989, and 1990.

The Canadian government continues to insist that it will work through the WTO to gain "access" to export markets. However, as the graph above demonstrates, Canada has been very successful in gaining access to markets. The current farm income crisis is not caused by a *failure* to gain access: it comes despite *large increases* in access. It may even be reasonable to ask: Has this focus on increasing exports intensified the farm income crisis? (Just as it might be reasonable to ask: Has an increased focus on export production in developing nations helped impoverish citizens in those countries?)

To increase exports and gain market access, Canada has signed several so-called "free trade" agreements. For farmers, these trade and investment agreements do two things simultaneously. First, by removing trade barriers, these agreements erase the economic borders between nations and force the world's one billion farmers into a single, hyper-competitive market. Second, these agreements trigger waves of mergers that nearly eliminate competition for the dominant agribusiness corporations.

As competition increases, prices and profits decrease. When competition *decreases*, prices and profits *increase*. Thus, trade agreements and globalization will predictably reduce farmers' prices and profits and predictably increase the prices and profits that transnational agribusinesses enjoy.

For farmers and their net incomes, increased exports may be one of the *least significant* effects of trade agreements and globalization. Much more important may be the effect these agreements have on the balance of market power between farmers and corporations, because *this relative balance of market power is the primary determinant of the distribution of profits within the agri-food production chain.*

Thus, trade agreements and globalization will push down farmers' prices and profits *regardless* of our level of success in future trade negotiations. Farmers' prices and profits will fall regardless of whether we gain some market access or a great deal; whether we succeed in reducing subsidies or whether we fail. No matter how "successful" we are in our stated objectives at future trade talks, farmers' prices and profits will fall as trade



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agreements and globalization shift the balance of market power (and the allocation of profits within the agri-food chain) in favour of agribusiness corporations.

There is a second reason that Canadian net farm incomes have not followed the upward arc of exports: as exports rise, so do imports. To gain access to foreign markets, we *must give access to our markets*. Canadian agri-food **net** exports (exports minus imports) are not much higher today than in the early 1980s.<sup>7</sup> Over the past 20 years, for every dollar in increased Canadian agri-food exports, there has been nearly a one dollar increase in *imports*. We've been exchanging markets in Canada, nearly dollar-for-dollar, for markets in Iran and China. By exporting more and importing more, we are exchanging stable, high-price, low-transportation-cost domestic markets for unstable, low-price, high-transportation-cost foreign ones. When farmers focus on exports, they often get a smaller portion of a lower and more volatile price.

The preceding doesn't mean that we shouldn't trade, or that we shouldn't export our surpluses, but it is intended to question the crude assumption that increased exports (and the trade and investment agreements we sign in order to increase those exports) will automatically be good for farm families. To the contrary, it is probable that farmers will get the largest benefits from serving their own local markets. This premise is confirmed when we look at the relative prosperity of Canadian milk, egg, and poultry farmers who work within our supply-management system to supply the Canadian domestic market.

When governments and corporations restructure agriculture to focus on exports—through the use of trade agreements, structural adjustment programs, or misguided domestic policies—the benefits accrue to global, multi-billion-dollar agribusiness transnationals. The effects on farmers and their local economies appear to be very negative.

Structural adjustment is designed to draw nations and sectors into “the global economy” so that the world's dominant corporations and nations can gain unfettered access to resources, commodities, and markets, and the profits that go with them. One way that structural adjustment programs do this is by pressuring a nation or sector to increase production and to produce for export.<sup>8</sup> In Canada, trade agreements and ideologically-driven domestic policies have mimicked the effects of structural adjustment: driving farmers to increase production for export markets. The destructive effects of this restructuring of Canadian agriculture repeat the effects experienced in Argentina, Mexico, and around the world.

## 2. Dramatic cuts in government spending

The Canadian federal government has cut its spending on agriculture by 48% in the past ten years: from \$6.1 billion in 1991/92 to approximately \$3.3 billion for 2001/02.<sup>9</sup> Adjusted for inflation, the 2001/02 government expenditure is the fifth-lowest in the past 17 years.<sup>10</sup> And this despite a grinding farm income crisis and drought in many regions.

Canada has been nearly alone among OECD countries in making these dramatic

<sup>7</sup> In 1982, agri-food exports were \$9.3 billion, imports were \$5.0 billion, and net exports were \$4.3 billion. In 2001, agri-food exports were \$26.6 billion, imports were \$19.2 billion, and net exports were \$7.4 billion. While exports are up \$17.3 billion, net exports are up only \$3.1 billion.

<sup>8</sup> A food production system controlled by independent producers, using a minimum of purchased inputs, and producing for local consumption affords few opportunities for corporate profit. One focused on maximizing production for export affords many more opportunities for profit.

<sup>9</sup> AAFC, *Farm Income, Financial Conditions, and Government Assistance Data Book*, various releases, Table C.1.

<sup>10</sup> AAFC, *Farm Income, Financial Conditions, and Government Assistance Data Book*, various releases, Table C.1. The 17-year time period is cited because that is the period for which we can obtain data. If data were available for the 1970s and 1980s, it is likely that it would demonstrate that current federal spending levels are among the lowest in 25 or more years.

cuts to farm support.<sup>11</sup> While spending is falling in some other industrialized nations, the cuts are small when compared to Canada's. And in the U.S., spending rose sharply with the 2002 Farm Bill.

Major federal government spending cuts include:

- The Crow Benefit, terminated in 1995. This program covered some of farmers' increased grain transportation costs that resulted when the federal government terminated the Crow Rate in 1984.
- The Feed Freight Assistance Program, terminated in 1995. This program covered a portion of the cost of shipping feed grains to the Maritimes and B.C.
- Special Canadian Grain Program, terminated in 1988. This program was designed to shield Canadian farmers from low prices caused by a U.S./EU trade war. It paid farmers approximately \$2.1 billion over its two-year life.
- Tripartite Stabilization, terminated in 1994. This program stabilized the prices of hogs and cattle and other livestock, honey, and some crops.
- Western Grain Stabilization Program (WGSP), terminated in 1991. This program stabilized grain prices for western farmers. During the 15 years between 1976 and 1991, it paid farmers approximately \$3.4 billion (net of premiums).
- The Dairy Subsidy, phased out by 2001.
- Gross Revenue Insurance Program (GRIP). This program stabilized grain farmers' annual returns by insuring prices and yields at a percentage of historical averages.

As corporate and elected leaders use trade and investment agreements to merge the world's agricultural markets, and as these leaders use the IMF and the World Bank to drive increases in exports from developing countries, world prices for primary food

products fall and become more volatile. At the same time, these leaders use the WTO and other agreements in an attempt to curb government spending on agriculture and other programs. As a result, farm families face lower and more-volatile prices, and they face reduced government spending on programs that might stabilize those prices.

This trend is exacerbated in Canada by a procession of governments that are ideologically-driven to cut program spending even faster than trade and investment agreements dictate. The result has been a policy error in Canada that echoes the errors made at the beginning of the Great Depression and that has had similar results. The Canadian government, rather than stabilizing the farm economy (increasing support during downturns and decreasing spending when markets rebound), is destabilizing farmers and the rural economy. The Canadian government has slashed agricultural spending and stabilization programs just as world commodity price trends pitch steeply downward.

These cuts in spending have had predictable results:

- Farm debt at the end of 2001 reached a record \$40.8 billion, up 5.7% from the previous year and up 50% over the previous five years.<sup>12</sup> Farm debt stands at approximately 11 times annual realized net farm income, and that ratio is growing. Interest on this debt is approximately equal to realized net farm income.
- Realized net farm income on the vast majority of farms has fallen to levels not seen since the 1930s.
- Farm families are scrambling to hold onto their land, and many others have been driven out. The restructuring and industrialization of the hog sector has expelled approximately half the family farmers who produced hogs a decade ago. A similar expulsion is happening to grain and oilseed farmers. The loss of

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<sup>11</sup> "Canada losing ground in farm support efforts," Barry Wilson, *Western Producer*, August 17, 2000, p. 12.

<sup>12</sup> Statistics Canada, *Agriculture Economic Statistics*, Catalogue No. 21-603E.

With the end of the TPW program, farmers were paid less, consumers had to pay more, and the government saved nothing.

these farm families leads to rural depopulation, the death of towns, the stagnation of the rural economy, increasing control by non-farmers, and environmental degradation.

The influence of neoliberal IMF/World Bank/WTO programs worldwide, combined with the Canadian government's perceived need to cut farm support spending, has created a disastrous situation on Canadian family farms. These policy errors—coming as they have amid general market failure and growing corporate concentration and control—have critically wounded our family farm food production system.

### 3. Deregulation

The government has attempted to justify cuts to agricultural programs by pointing to the need to cut spending and balance its budget. However, the government's propensity to cut programs, even when the cost of those programs was small or zero, indicates that an overarching ideological commitment to deregulation is the driving force, not simply a need to balance the books.

Examples of cuts that cannot be explained by the need to reduce costs include:

- the termination of the Two-Price Wheat Program;
- the end of controls on rail branchline abandonment;
- the end of the railway rate cap, costing reviews, and productivity gain sharing; and
- changes to the Canadian Grain Commission which terminated its responsibility to regulate grain companies' handling and elevation charges to farmers.

The Two-Price Wheat (TPW) program began in 1967; the government terminated it in 1988 amid claims that it was incompatible with the then-pending Canada-U.S. Free Trade Agreement. The program had stabilized domestic wheat prices and, especially in later years, increased farmers' revenues. With a domestic price under the TPW program of \$7.00 in 1987, prairie

farmers received a benefit of approximately \$4.40 per bushel on 15% of their wheat (the portion consumed domestically). For a farmer producing 10,000 bushels, the program provided approximately \$6,600 in additional revenue. This program cost government nothing and may have cost consumers nothing, too: bread prices rose, they did not fall, when the TPW programs was terminated. With the end of the TPW program, farmers were paid less, consumers had to pay more, and the government saved nothing.

The federal government has systematically deregulated grain transportation, terminating railway costing reviews and productivity gain sharing in 1992 and the rate cap in 2000. As a result, farmers' freight bills have skyrocketed and freight is now the single biggest expense on many farms. These deregulation moves saved government nothing. In 2001, amid a grinding farm income crisis, Canada's two major railways reported record (CN \$1.04 billion) or near-record (CP \$410 million) profits.

The federal government has effectively ended its controls on railway branchline abandonment. This deregulation has been a significant contributing factor to record profits for the railways as they cut costs but retain revenues from captive shippers. The end of controls on abandonment has also led to the dramatic destruction of Western Canada's highway system. In this case, we see a government not only eager to cut programs and regulations in order to save taxpayers money, but even willing to deregulate in ways that will cost taxpayers money.

The Canadian Grain Commission (CGC) has the vital dual role of protecting farmers' interests within the grain handling system and of safeguarding Canada's valuable reputation as the supplier of some of the highest quality grain in the world. In 1995, the government terminated the CGC's authority to regulate grain companies' handling and elevation charges to farmers. This CGC regulation had cost the government nothing and provided farmers with fair, equitable, predictable handling costs. More

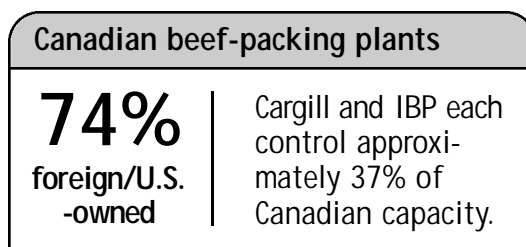
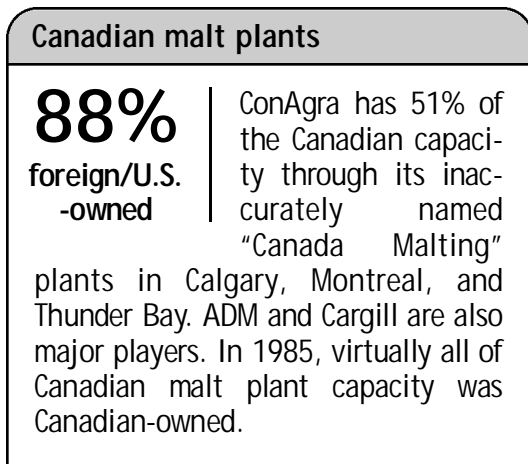
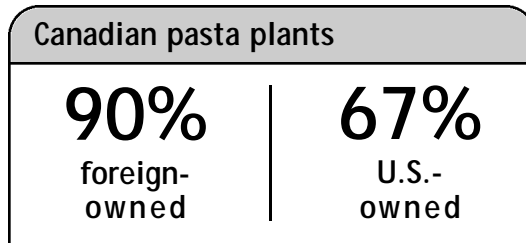
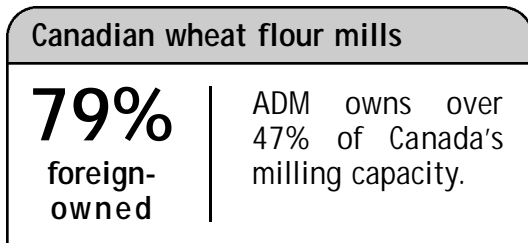
recently, the CGC and the government produced a “Program Review” report that would have changed the CGC from an industry regulator into a “service provider.” It would have, as one farmer put it, turned the CGC from an industry “watchdog” into an industry “lapdog.” Strong farmer opposition forced the CGC and government to back away from this plan.

Over the past 15 years, the federal government has deregulated Canadian agriculture. It has turned “the industry” over to “the market.” If the government claims that this restructuring has been beneficial to farmers, then it must explain why these farmers now face the worst income crisis since the 1930s. It must also explain why those farmers who have endured the most deregulation—Western grain farmers—are hardest hit by the current income crisis, while those who have faced the least deregulation—milk, egg, and poultry producers—have been largely untouched by that crisis.

Deregulation in Canadian agriculture, as in IMF structural adjustment programs around the world, is promoted as a way of saving governments and taxpayers money. But the much more pronounced effect in Canada and elsewhere is to vastly increase corporate power and profits at the expense of local citizens, workers, farmers, public infrastructure, and the environment.

#### 4. Measures to attract foreign investment

When one looks at the Canadian agri-food processing sector, one sees not just foreign investments, but foreign takeovers. One U.S.-based transnational, Archer Daniels Midland (ADM), now owns almost half of Canadian flour milling capacity.<sup>13</sup> Its stake is up from 30% in 1995 and 0% in 1985 (prior to the Canada-U.S. Free Trade Agreement). Foreign transnationals have taken over almost every segment of the Canadian processing sector:



<sup>13</sup> Data in this section calculated from *Grain and Milling Annual 2002*, Sosland Publishing Co., except beef-packing plant share which was calculated from data collected by Jim Bateman for the Manitoba Department of Agricultural Economics.

Canada has effectively lost control of its agri-food processing sector.

In addition to the above, Smithfield Foods (the world's largest pork packer and pig producer) recently purchased Schneider Corporation of Kitchener, Ontario. Burlington Northern Santa Fe will probably renew its stalled attempts to take over Canadian National (CN) railway, one of two railways that move Canadian grain to port. Union Pacific was negotiating to take over the other Canadian railway, Canadian Pacific (CP). ADM owns 19% of Agricore United, Canada's largest elevator company. Further, U.S. giants Cargill, ConAgra, and ADM seem poised to take over the entire Canadian grain collection system if Canadian companies such as the Saskatchewan Wheat Pool continue to falter. The merger of Case/IH and New Holland (CNH) leaves farmers captive to two dominant machinery companies and may soon lead to the closure of Canada's last large-tractor factory. The merged CNH has recently bought up one of Canada's largest and most innovative agricultural machinery manufacturers, Flexicoil of Saskatoon. Several Canadian breweries are now owned by foreign transnationals such as Interbrew, based in Germany (Labatt's).

Canada has effectively lost control of its agri-food processing sector. It has lost control of its farm machinery and farm input production sectors, and is losing control of its vital railways and grain handling sector. The primary aim of structural adjustment programs is to pry open national economies so that the world's dominant transnationals can gain access and take control. Under the rhetoric of "encouraging investment," governments sign trade and investment agreements, deregulate, and remove barriers to the penetration of international corporate capital. In so doing, they facilitate the takeover of domestic businesses, industries, and corporations by the globally-dominant transnational corporations. The takeover of the Canadian agri-food sector is a notable example of this process.

## 5. Privatization of government industries and utilities

In order to grant transnational corporations maximum access to markets and resources, a country undergoing structural adjustment must be compelled to privatize its publicly-owned utilities and corporations. Canadian federal and provincial governments have privatized a large number of Crown corporations since the mid-1980s. Privatized corporations that have connections to farmers and rural residents include: Canadian National (CN) Railway, Petro-Canada, Potash Corporation of Saskatchewan, and Manitoba Telephone.

In addition, the push by grain companies and a small minority of farmers to dismantle the Canadian Wheat Board is, in essence, a push to privatize wheat and barley marketing: to transfer wheat and barley marketing from a farmer-controlled government agency to private grain companies. The CWB debate has been characterized by the rhetoric that attends all such privatization debates: "choice," "efficiency," and "competition." The push to dismantle the CWB has been aided by the U.S. government. Nine times since 1990, the U.S. government has charged that the CWB trades unfairly and has launched invasive investigations. Each time, the CWB has demonstrated that it operates in a commercial and non-trade-distorting fashion.

In its WTO negotiation proposal, with regard to the CWB (a "single desk exporter"), the United States lists its objectives: "to ensure private sector competition in markets controlled by single-desk exporters;" and to "eliminate the use of government funds or guarantees to support or ensure the financial viability of single desk exporters."<sup>14</sup>

The purpose of the WTO agreement and the IMF and World Bank programs is to remove barriers that restrict the free flow of goods and services and that restrict the

<sup>14</sup>World Trade Organization, *Proposal for Comprehensive Long-Term Agricultural Trade Reform: Submission from the United States*, June 23, 2000. WTO code C/AG/NG/W15, p. 3.

entry of the dominant transnational corporations into national economies. Crown corporations prevent the entry of private corporations into key profitable sectors. The CWB prevents the entry of Cargill, ADM, and other U.S. transnationals into the multi-billion-dollar Canadian wheat and barley export business. Thus, the CWB and similar public enterprises are under attack from private corporations and their governments.

## 6. Removing subsidies, price controls, and other supports

As mentioned above, the government has terminated most of the stabilization programs and price supports on grains, oilseeds, hogs, and cattle. In Canada's supply-management sectors—milk, eggs, and poultry—such programs, however, remain intact. Predictably, there is now growing pressure to weaken supply management.

Supply management is a system wherein Canadian production of milk, eggs, chickens, and turkeys is matched to Canadian consumption. This is done through a quota system: farmers can produce and sell only as much as their quotas allow. Farmers are paid based on their average costs of production. Canada's supply management system gives consumers a stable, secure source of domestically-produced milk, eggs, and poultry at retail prices equal to, or lower than, those in the U.S. The supply management system also gives farmers secure markets and fair prices.

In order to have a supply-management system which matches production to consumption, a nation must have a way of preventing unpredictable inflows of products from other nations. Before 1994, Canada used import controls. The General Agreement on Tariffs and Trade (GATT) (the precursor to the WTO) Article 11 allowed import controls. The

Uruguay Round of negotiations resulted in the elimination of Article 11. Canada was thus forced to replace import controls with high tariffs. Although these tariffs are high, they are subject to reductions over time.

Recent WTO decisions have increased the pressure on Canada's supply-management system. Dairy, chicken, turkey, and egg farmers struggle to hold onto their collective marketing agencies in an increasingly hostile world environment. In the U.S., where farmers do not enjoy a supply-management system, a few large corporations such as Tyson Foods have taken over poultry production and processing.

Without a supply-management system, U.S. milk production is moving in a similar direction. The Heritage Dairy, under construction in Solano County, California, will milk 3,000 cows and house a total of 6,000 cattle. The G.H. & G. Zysling Dairy, proposed for the same area, would milk 2,800 cows from a herd of 6,000 cattle. Lawsuits prevented J.G. Boswell (owner of one of the world's largest farms (150,000 acres in crop in Arizona and California) from building a four-dairy complex in California's central valley. The complex would have housed 47,700 cattle.<sup>15</sup>

If pressure from governments and corporations succeeds in destroying Canada's supply-management system, the result would be the rapid consolidation and restructuring of Canada's dairy, poultry, and egg sectors, and the expulsion of the majority of family-farm producers.

## 7. Free-floating currency

After nearly a century when it hovered near par, in 1978 the Canadian dollar began a rapid decline against the U.S. dollar. The lower Canadian dollar helped increase our food exports when they became less expensive for foreign importers to buy. However, as demonstrated above, farmers did not

Recent WTO decisions have increased the pressure on Canada's supply-management system.

<sup>15</sup> "Special Report: The King of Kings," The Fresno Bee, October 31, 1999. "The milk will flow: Big dairy farms are planned in Solano County," The Sacramento Bee, April 21, 2002. "Mooving in on Solano," TheReporter.Com, April 29, 2002. "Bovine Battle Brewing," TheReporter.Com, April 30, 2002.

**The farm income crisis has decimated many rural communities and forced rural people to move to the cities.**

share in the financial benefits accruing from increased exports.

A weaker Canadian dollar also resulted in higher farm input costs, since many of the chemical and fertilizer inputs which farmers use to produce crops are imported. In contrast to the situation where the benefits of increased exports were not passed on to farmers, higher input costs were passed on. These changes exacerbated the already-existing cost-price squeeze.

In Canadian agriculture, the financial benefits of currency devaluation were captured by grain companies, processors, and exporters: the costs were passed onto farmers. As is the case around the world, currency devaluation has enriched exporters and the dominant corporations, while having mostly negative effects on citizens, workers, and farmers.

#### **The structural adjustment of Canadian agriculture: additional effects**

Structural adjustment programs around the world often have many secondary effects, including: concentrating wealth in the hands of a few (thereby increasing the gap between the rich and the poor); reorganizing land ownership; and forcing migration from rural areas to the city. All of these effects are present in Canadian agriculture today.

Between 1981 and 2001, the number of farms in Canada declined from 318,361 to 246,923<sup>16</sup>—a drop of 22%. In just the five years between 1996 to 2001, Canada lost 11% of its farmers.

Between 1981 and 2001, Canadian farms became much larger, concentrating wealth in the hands of a few farmers. In 2001, the largest farms, 5% of the total, earned nearly one-third of total farm revenues. While direct comparisons are difficult, in 1981 the largest 3% of farms earned approximately one-eighth of farm revenues.<sup>17</sup>

Increasingly, the people who farm the land do not own it. In 1981, Canadian farmers rented or leased 31% of their land from others. In 2001, farmers rented or leased 37%.

The farm income crisis has decimated many rural communities and forced rural people to move to the cities. The profits in the food production system are increasingly captured by transnationals with head-offices in distant urban financial centres. Because these corporations take the profits before they can make their way back to farms and rural communities, those farms and communities are becoming poorer and less numerous. The restructuring of the Canadian economy has accelerated the flow of wealth and capital from resource-producing rural areas to the management and service centres in large (mostly foreign) cities. This flow of wealth has drawn with it citizens forced to relocate to look for employment.

The farm crisis in Canada and around the world is caused by the corporate-driven extraction of wealth from the rural areas. Structural adjustment serves to remove the barriers to such extraction and accelerate the outflow of wealth.

<sup>16</sup> Statistics Canada Census of Agriculture 1981 and 2001.

<sup>17</sup> Statistics Canada Census of Agriculture 1981 and 2001.

# Part 3

## Conclusion

The Canadian government—using the tools of the CUSTA, NAFTA, and WTO, and inspired by the neoliberal programs of the IMF and World Bank—has turned its farm families over to “the market.” The result has been a seven-fold increase in exports, a transfer of the agri-food processing sector to foreign transnationals, the depopulation of rural communities, and the worst farm income crisis since the 1930s.

Since the 1980s, the federal government has systematically imposed a radical restructuring on Canadian farmers and rural Canada that is indistinguishable from an IMF structural adjustment program. The government has carefully implemented every component of an IMF program: export expansion, reduced government spending, deregulation, liberalized foreign investment, privatization, termination of subsidies and price supports, devaluation of the currency, and a general move toward “market-oriented” economic reforms.

The result of the federal government’s program has been an unprecedented farm income crisis. However, while farm families have seen their net incomes drop, transnational agri-food corporations have enjoyed dramatic increases. ADM’s worldwide revenues have nearly tripled since 1990;<sup>18</sup> ConAgra’s have nearly doubled since 1990; and Philip Morris’s (Kraft, Post, Miller Beer, Marlboro cigarettes) revenues have tripled since 1987 to a staggering \$140 billion [Cdn.] This one food, tobacco, and alcohol giant is nearly four times as large as all the Canadian farms put together.

As these huge corporations grow, their market power—their ability to buy cheaper from farmers, sell higher to consumers, and bargain harder with workers—also grows. The effect (and intent) of structural adjustment programs—in Canada and around the world, in agriculture and in other sectors—is to turn the world’s resources,

workers, and markets over to such corporations and their stockholders.

The federal government has cut \$2.8 billion worth of programs from its annual agricultural spending. In addition, program cuts that do not show up on the federal expenditure tally—the Two-Price Wheat program, productivity gain-sharing between the railways and farmers, elevator handling charge regulation, and the Crow Rate—have cost farmers billions more. Further, the utter mismanagement of the world food trading and distribution system also costs Canadian farmers billions of dollars a year. Finally, the government’s reluctance to regulate and control increasingly powerful agri-business transnationals means that these corporations have increased their revenues and profits by billions per year at the expense of farm families. The total cost of the Canadian government’s structural adjustment of Canadian agriculture—the total transfer of wealth from farms and rural communities to corporations and investors—over the last 15 years amounts to tens-of-billions of dollars.

The financial losses, however, are only one dimension of the structural adjustment saga. The numbers don’t tell the story of the human suffering that accompanies them. Farm families who have lost, or are losing, their economic foothold in farming suffer social and personal losses as well as financial ones. The family farm is so named because not only does this kind of food

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<sup>18</sup> Figures calculated from corporate annual reports.



The out-migration of people from rural areas has been accompanied by (and frequently accelerated by) a loss of public services in rural Canada.

production involve the love and labour of the entire family; but in most cases the farm is also the inheritance from the generations that came before. Depending on the time of non-Aboriginal settlement, many Canadian farms have been owned by the families that currently farm them for many generations. Because the farm represents both a family heritage and a trust for the next generation, its loss can evoke powerful feelings of guilt and shame.

Failing to take account of the systemic undermining of family farming, public discourse has concentrated on advocating better farm management techniques—blaming farm losses on farmers’ inefficiencies and failures to adapt. In keeping with this analysis, the federal government has been offering government-funded “Rural Transition Programs” to retrain “unviable” farmers for work in urban areas. This serves to publicly reinforce the private analysis of many farmers: that their own personal shortcomings are to blame for their economic distress. This loss of self-esteem and social standing is partially reflected in high farm suicide statistics, as well as in family violence and breakdown. The Farm Stress Lines that have been operating in Western provinces over the last decade tell of a great deal of heartache.

As noted, many families have left farming because they have been unable to make a living there. And few young people are entering farming. Of those who remain (approximately 3% of the Canadian population), most are seeking to cope with declining incomes by having one or both spouses take an off-farm job. All of these changes contribute to the decline of rural communities. This pattern of rural out-migration, urbanization, and the resulting decline in the countryside are the familiar results of structural adjustment programs everywhere.

The most keenly felt losses in farming communities are the absence of neighbours and communal life. Although this aspect is not quantifiable, and hence seldom taken into account, the restructuring

of agriculture has led to a radical change in the culture of farming communities. With fewer people, and with the exodus of most of the young people, community activities are necessarily reduced. In many villages, the centres of community social life—the churches, halls, arenas, clubs, and schools—have disappeared altogether. The loss of cultural diversity and vigour in the countryside parallels the loss of biological diversity, and may pose similar inherent dangers to the long-term sustainability of human survival.

The out-migration of people from rural areas has been accompanied by (and frequently accelerated by) a loss of public services in rural Canada. As governments seek to cut expenditures, rural communities are always hit hardest. The standard cost/benefit analysis illustrates the obvious: services cost more per user where there are fewer users and where the distances between the users is greater. Over the past 15 years, in many rural communities, governments have closed post offices, schools, and hospitals. When these essential services are no longer available, it is increasingly difficult for families to live there. With too few people, churches, sports facilities, libraries, and other community services also disappear. Soon, businesses cannot remain viable either. This downward spiral is clearly illustrated on the main streets of hundreds of towns and villages where boarded storefronts are as common as open businesses.

Ironically, the model of development which industrialized countries have trumpeted—through institutions such as the World Bank and the IMF—as the solution to the economic woes of indebted, less-industrialized countries, appears to be the model of systematic de-development as it is implemented here in Canada. The key indicators for healthy development—including better health-care, education, and other public services; an improved, more efficient infrastructure; and more economically secure people—are all increasingly *absent* in Canada. The further

along the structural adjustment road rural communities travel, the worse the road becomes, both literally and figuratively. Farm families have become much less secure economically, rural services are much more distant and difficult to access, and the transportation and communications infrastructure is literally being abandoned as railways close branch lines and roads become impassable.

The toll of this structural adjustment goes far beyond the economic impoverishment of some farm families deemed to be “inefficient producers” or “poor managers” and the loss of communities no longer considered “viable.” It includes human, cultural, and environmental costs which all of Canadian society—urban as well as

rural—must pay. Here in Canada, as in the so-called “developing world,” structural adjustment is really the restructuring of agriculture and the entire economy for the benefit of those who own and control the transnational corporate sector.

The adjustment programs force everyone to adjust to greater economic instability, less democratic control, depletion of natural resources, and increased dependence on ever fewer players for jobs, investment, and even food. For Canadian farm families—as for peasants and farmers everywhere—structural adjustment often means the adjustment right out of their way of making a living, by growing food; and an adjustment right out of their way of life.