es it really matter what happens

DOWN ON THE FARM

of the freight moved through the St. Lawrence Seaway, one fifth of the goods on our railways, is of farm origin. Canada is one of the world's largest sellers of agricultural products; about one third of our total production is sold outside our boundaries.

Do not all Canadians have a tremendous stake in a thriving agriculture as a basis for higher incomes, an expanding economy, greater exports, and minimum food price increases? Are we handling our agricultural industry in the same way we treat our other industries?

Canada has not shared well in the general growth of world food exports. Over the past ten years while world agricultural trade has increased by about 4% per year, Canada's exports have grown by only 1%. Comparing Canada's market penetration in importing countries with the U.S. in recent years shows there is a large number of profitable markets that the U.S. has served for ten years which Canada has still not even entered. Even in wheat there is a serious deterioration in Canada's position in competitive markets.

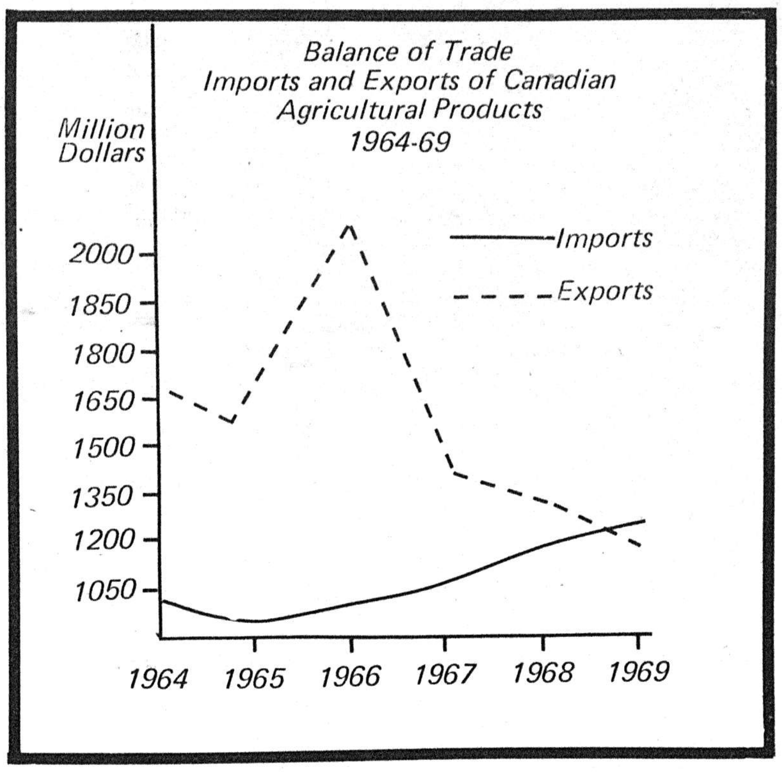
Canada has many food marketing firms, exporters, marketing boards, government departments of trade and commerce, and so on. Is the problem that Canada Can't compete with other countries' subsidization? (A French farmer gets more subsidy on barley than a Canadian farmer's total selling price for barley.) Or is the problem restraints on trade? What can be done?

Why the poor performance?

Even a quick look at the developing market opportunities suggests the world food market is one of the fastest growing industries in the world. Many of these markets are already profitable for Canadian farm products and appear to be growing in attractiveness. The challenge facing Canadian agriculture and its institutions is to gear up to serve these markets completely to the advantage of producers, the industry and the Canadian economy.

The farmer's part in the picture has not been a happy one--at least, for the farmer. According to Dobson Lea, president of Unifarm, an organization representing 26,000 of Alberta's 50,000 farmers, "1970 was the anniversary of 20 consecutive years of lower net farm income."

Production costs have tripled in the last 20 years. The Barber Commission, a Canadian government enquiry into price fixing in farm machinery, stated that a near monopoly in farm machines cost Canada 15 million dollars which flowed out of Canada. The annual net income for an Alberta farmer in 1970 was $1325 with 69% of 65,000 farmers actually having incomes below this meager average, according to Unifarm.



Can Canadian farmers compete with foreign farmers, and modernize Canadian farms with this level of income? If not, what will be the effect on all of us? Declining exports, a declining flow of dollars into our economy and a smaller income for all of us? Will the land even stay in Canadian hands?

There are 5 million acres of land in Alberta which are already foreign owned, one million dollars worth in one block in Saskatchewan and farms of up to 30,000 acres size in B.C.

Some ideas on the solution

According to A.W. Anderson, U of A lecturer in agricultural engineering, "an alternative in policy planning that merits investigation may be the development of a system of guaranteed minimum prices for an estimated production volume. (They could be set annually at the beginning of the production cycle. This would differ from the present deficiency system for some commodities in that the prices would not be tied to past year's prices, and volumes could be less than the total production in very good productive years.) Market response would be influenced by the annual guaranteed price."

What is the Government's function regarding agriculture? "It may be giving stability to farm prices for a production cycle," Anderson says. "The decision on the amount of production then is based on a gradual response to price. A farmer could invest his funds in production of an agricultural commodity with some assurance of recovering his cost if he has done his budgeting properly. Stated prices may be a better reflection of the Canadian farmer's competitive position compared to foreign agriculture.

The quotasystem for crop production seems to be functioning fairly effectively now but there may be better ways to make production responsive to demand with a minimum of disruption to the agricultural economy."

According to T.W. Manning, chairman of agricultural economics, a former researcher with the U.S.A. Federal Reserve System, "the U.S.A. and German benking systems which have an adjustable interest rate and whose lending policies also vary by regions rather than the nation as a whole, have some advantages over the Canadian system. In the U.S.A. and Germany, the interest rate is mainly a public signal of banking policy to control inflation or deflation. Rationing is not only by interest rate; their willingness to make loans is separate from the interest rate. The Federal Reserve Bank in the U.S.A. (the equivalent of the Bank of Canada) operates a discount window--if a local commercial bank needs funds it goes to the Federal Reserve for these funds. The bank takes a package of the loans it has made to the Federal Reserve, and sells them to the Reserve at a discount or obtains a loan. The Reserve will tighten up by refusing loans or loosen up by making loans.

These loans are made to Banks only.

For example, if an area is going through a local recession, the Reserve can arrange to make more funds available in that area. There is nothing to prevent the Bank of Canada from doing this if the Chartered Banks would cooperate."

"As the farmer goes . . ." ?

It has been said that "as the farmer goes, so does the nation." Is this true?

According to two U of A soil scientists, C.F. Bentley and J.A. Robertson, the soil fertility of the province is dropping, we are taking more out than we are returning to the soil in fertilizers and crop residues which are plowed back. It is difficult for a farmer who has an income of $1325 per year to buy fertilizer or make any improvements to his farm. The inevitable result of declining soil fertility can only be lower crop yields and lower income for all of us. It is like taking more money out of the bank than you put in: eventually there is a day of reckoning.

The future belongs to those who prepare for it. What preparations are we making for the future of the agricultural industry? What are we doing to ensure ourselves of ownership of our own country and an adequate income in 1992?