# Farmers' Opposition to Corporate Globalization and Trade Agreements

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## Introduction

There were many farmers in the streets of Seattle, Quebec City, Porto Alegre, and other places where citizens have gathered by the tens-of-thousands to protest the negative effects of trade agreements, structural adjustment, and corporate globalization. Farmers around the world, through organizations such as the Via Campesina,[1] have asked that food be taken out of the World Trade Organization (WTO) agreement.

To understand their opposition to trade agreements and the globalization of food and farming, you must understand farmers' experiences so far. This paper presents Canadian farmers' experiences with trade agreements and globalization over the past thirteen years.

## How trade agreements and globalization harm farmers

Since 1988—the year Canada signed the Canada–U.S. Trade Agreement—Canadian agri-food exports have nearly tripled.[2] Canadian farmers and exporters have been very

[1] The Via Campesina ("Peasant Way") was conceived in 1992, and born in May 1993 in Mons, Belgium, at its First International Conference. It has grown to include more than 69 organizations from 37 countries. Member organizations represent landless peasants, small- and medium-sized farmers, agricultural workers, rural women, and indigenous communities.

[2] From $10.7 billion in 1988 to $26.5 billion in 2001.

successful in increasing exports, in gaining "market access." The result, however, has not been the farm prosperity that politicians, economists, and trade negotiators predicted. Since 1988, net farm income has remained stagnant—or fallen dramatically if inflation is taken into account.

Why have trade our agreements—the Canada–U.S. Free Trade Agreement (CUSTA), the North American Free Trade Agreement (NAFTA), and the World Trade Organization (WTO) agreement—failed to bring prosperity to our farms? The answer comes when one realizes that increasing exports is only one effect of these agreements. To understand the spreading farm income crisis, you must understand the often overlooked, and much more significant, effects of these agreements.

For farmers, so-called "free trade agreements" do two things simultaneously. By removing trade barriers—tariffs, quotas, and duties—these agreements erase the economic borders between nations and force the world's one billion farmers into a single, hyper-competitive market. *Simultaneously*, these agreements facilitate waves of agribusiness mergers that nearly eliminate competition for these corporations.

Economists agree: when competition increases, prices and profits decrease; and when competition decreases, prices and profits increase. Thus, as trade agreements and globalization increase competition among farmers, these agreements predictably decrease prices and profits. And, by fostering a dramatic *decrease* in competition among agribusiness corporations, trade agreements dramatically *increase* profits for these companies.

The NAFTA and the WTO agreement may increase trade but, much more importantly, they dramatically alter the relative size and market power of the various players in the agri-food production chain. For farmers and their net incomes, increased exports may be one of the *least significant* effects of trade agreements and globalization. Much more important—perhaps completely overwhelming any potential benefits from increased exports—may be the effect these agreements have on the balance of market power between farmers and agribusiness corporations, b*ecause this relative balance of market power is the primary determinant of the distribution of profits within the agri-food production chain.*

## Trade agreements and farmers: the empirical data

Some may doubt that trade agreements and globalization decrease farmers' prices and profits. Canadian net farm income data for the past 75 years, however, strongly support these assertions.

Figure 1 graphs Ontario per-farm net income adjusted for inflation. Figure 2 presents that same data for Saskatchewan. Graphs for many other provinces are similar. The graphs show three distinct periods. In the 1930s, net income on the average farm fell to

zero or below. Then, for 50 years, net incomes were relatively stable—fluctuating within a consistent range, but never falling below $10,000 per farm. Finally, in 1989, net farm incomes dropped dramatically and stayed down—fluctuating within a much lower range. What happened in 1989? Canada implemented its first major trade agreement: the Canada-U.S. Trade Agreement.

**Figure 1: Ontario Per-Farm, Realized Net Farm Income, Adjusted for Inflation, 1926–2001**

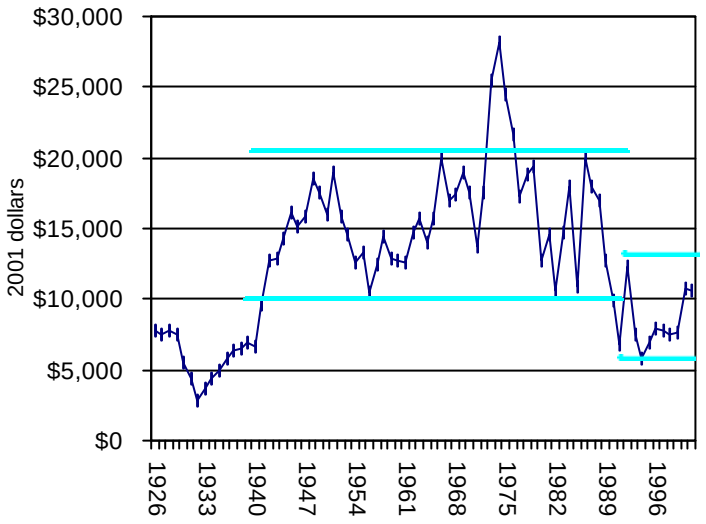
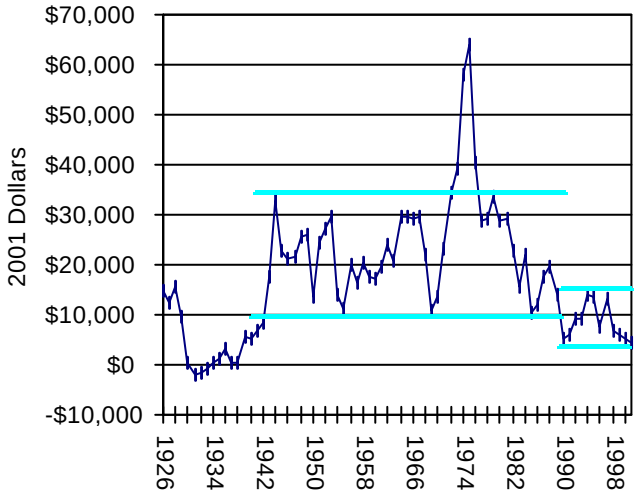



**Figure 2: Sask. Per-Farm, Realized Net Farm Income, Adjusted for Inflation, 1926–2001**




*Sources for both graphs: Agriculture Economic Statistics, Statistics Canada Cat. # 21-603E; Consumer Price Index, Statistics Canada Cat. # 62-010; Historical Overview of Agriculture, Statistics Canada Cat. # 93-358.*

Basic economic theory predicts that when corporations and governments use trade agreements to globalize markets, they will increase competition among farmers and, thus, push down farmers' market power, prices, and profits. The evidence in Canada over the

past twelve years supports that prediction. This prediction becomes *inescapable* if governments and corporations force farmers into highly-competitive, globalized commodity markets *at the same time* that agribusiness corporations are encouraged to merge globally and nearly eliminate the competition they face. This is because the resulting shift in relative market power between farmers and agribusinesses will ensure that the latter will capture almost all the profits within the agri-food chain.

## Other effects of trade agreements and globalization

Canadian farmers have benefitted greatly from our orderly marketing systems, including the Canadian Wheat Board (CWB) and our supply management systems for milk, eggs, and poultry. The NAFTA, however, effectively ended our ability to create new orderly marketing agencies or expand existing ones. Under the NAFTA, farmers and government cannot implement single-desk selling for potatoes or cattle and we can't add canola to the CWB.

NAFTA Chapter 11, Article 1110 states:

> No Party may directly or indirectly nationalize or expropriate an investment of an investor of another Party in its territory or take a measure tantamount to nationalization or expropriation of such an investment except: …
>
> d) on payment of compensation….

Ethyl Corporation's NAFTA victory and the pending Sunbelt Water case indicate that, under Article 1110, the Canadian government would have to compensate companies such as Cargill if farmers and the government add canola to the CWB's single-desk-selling jurisdiction. Affected companies would argue that such a move expropriates their potential profits and, by reducing the profit potential of their elevators and other property, expropriates a portion of those assets. If the government does not pay compensation voluntarily, Cargill and other companies could sue the Canadian government under Section B of Chapter 11 of the NAFTA.

Chapter 11's compensation requirement effectively deprives the government of a number of other policy options including our abilities to:

> create railway competition by requiring railways to grant widespread running rights;
> ban unwanted agricultural technologies such as genetically-modified (GM) wheat;
> regulate grain-handling tariffs (as we did before 1995); and
> use government payments to induce farmers to move to organic agriculture.

The NAFTA has stolen many of the vital agricultural policy tools from Canada's toolbox.

Examples of trade-agreement interference in domestic farm polices continue. Annex 2 of the WTO Agreement on Agriculture prescribes the details of domestic support programs

"exempt from reduction commitments" ("green box" programs). The design of Canada's failed AIDA program is taken directly from that Agreement, which states:

> (a) Eligibility for such payments shall be determined by an income loss… which exceeds 30 per cent of average gross income or the equivalent in net income terms…in the preceding three-year period or a three-year average based on the preceding five-year period, excluding the highest and lowest entry.

The key elements of AIDA are in the WTO Annex: three-year averages, 70% coverage (100% - 30% = 70%), etc. Trade agreements such as the WTO increasingly dictate the domestic measures that the Canadian government can take to support our farmers.

As another example, the Canadian government used the then-pending 1995 WTO agreement as a major reason for terminating the Crow Benefit. Since the end of the Crow Benefit, farmers' freight rates have increased more than two-and-one-half-fold to become the single largest expense on many western farms.

In addition to restricting the types of programs governments can create in the future, the NAFTA and WTO agreement facilitate attacks by transnationals and their (nominal) governments on existing farm programs and agencies. There have been nine unsuccessful attacks against the CWB. Under the WTO framework, there have been several attacks on our milk supply management system. While corporations and foreign governments have been only partially successful in weakening our CWB and supply management agencies, corporate meat packers have succeeded in destroying hog farmers' single-desk-selling agencies in Saskatchewan, Manitoba, Alberta, and Ontario.

## Positive effects on agribusiness

While farmers have lost as a result of trade agreements and globalization, corporations have gained. The NAFTA Chapter 11 that robbed farmers and their governments of so much power, transferred that power to the world's dominant agribusiness corporations. Chapter 11 gives corporations the power to sue foreign governments. It gives corporations near absolute rights to their profits and property and requires governments to pay compensation if regulations decrease those profits or the value of corporate property.

Corporations have won increased patent protections—enhanced "intellectual property rights." These protections have resulted in longer, more wide-ranging patents on drugs, agricultural chemicals, and seeds and in decreased competition and increased corporate profits. One of the major outcomes of a process advertised as focusing on "free trade" and "deregulation" has been to dramatically expand corporate mechanisms of monopoly control and to create a huge global bureaucracy charged with enforcing corporate patents.

The greatest contribution to corporate power, however, has been the de facto suspension of anti-combines and competition laws around the world. Just twenty-five years ago, Canadian farmers were buying tractors made by Allis Chalmers, Versatile, White,

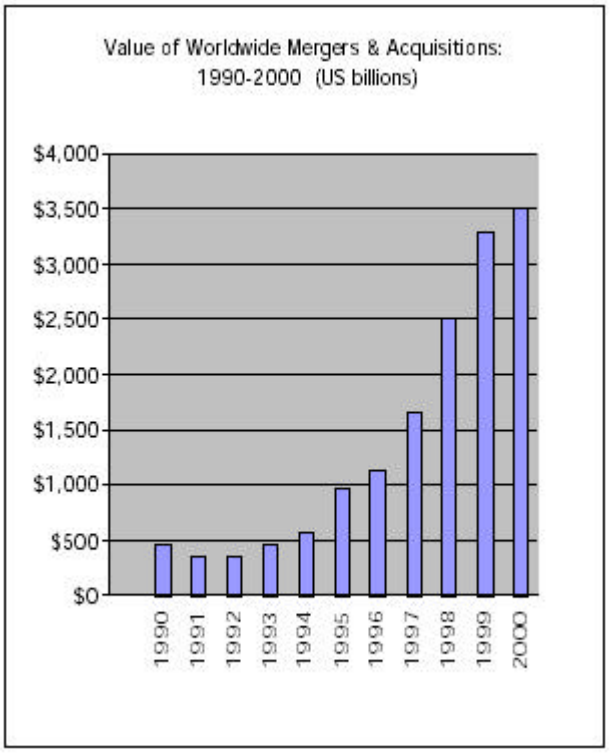
Massey Ferguson, International Harvester, Case, John Deere, Deutz, Ford, and Steiger. Today, two tractor manufacturers dominate the world market: John Deere and Case/New Holland. Through unrestricted mergers and takeovers, tractor makers have restructured themselves into a duopoly. This dramatic reduction in competition and increase in market power was facilitated and spurred by globalization and trade agreements.

Grain companies are merging to reduce competition. Agricore United (which may soon be controlled by U.S.-based Archer Daniels Midland), Sask. Wheat Pool (which may soon be controlled by U.S.-based ConAgra), and Cargill now control 75% of western Canadian grain-handling capacity.

Monsanto sold the seed used on 94% of the acres planted to genetically-modified crops in 2000.[3]

Canada's agri-food chain stretches from oil and gas companies at one end; through fertilizer, chemical, and seed companies; through farmers in the middle; and to grocery stores and restaurants at the other end. Every link, with the exception of the farm link, is dominated by between two and ten multi-billion-dollar transnationals. The size of the companies that dominate each link is increasing and the number of companies is decreasing. Figure 3, below, highlights the acceleration of global corporate consolidation.

**Figure 3: Value of mergers and acquisitions**




Source: Etc Group *Communiqué*, July/August, 2001, Issue # 71.

[3] ETC Group (formerly RAFI), *Communiqué*, July/August, 2001, Issue # 71, p. 1.

The dominant agribusiness corporations have pursued strategies of rapid growth and equally-rapid reductions in competition. In so doing, these corporations have dramatically increased their market power. At the same time, trade agreements have also added to corporations' powers and reduced the powers of national governments. Taken together, these events have yielded awesome increases in corporate power. This, much more than increased exports, is the primary effect of trade agreements and globalization.

## The future: Doha and beyond

Any new WTO agreement will extend and accelerate the trends outlined above—increasing corporate concentration, decreasing competition, increasing corporate profits, declining net incomes for farmers, and the erosion of governments' powers to shape agricultural policies. Farmers will be the clear losers if we move forward with the Doha WTO round, a Free Trade Area of the Americas (FTAA), or a latter-day Multilateral Agreement on Investment (MAI).

In numerous challenges to the Canadian Wheat Board and our supply-management systems, the U.S. has proven that it will work relentlessly to destroy these institutions. It will do so because these institutions serve both as barriers to U.S. corporate penetration and as counter-models to the corporate-dominated U.S. system. Increasingly stringent and corporate-friendly "disciplines" contained in new trade agreements or in a re-negotiated WTO agreement will ensure that the U.S. and others will, in the end, be successful: they will force Canadian farmers to relinquish their marketing agencies and force the Canadian government to relinquish more of its powers to shape agricultural policy.

In much of rural Canada, corporations are tearing down the elevators and ripping up the railways. Increased trucking is destroying the roads. The schools, hospitals, stores, and rinks are closing as the impoverishment of rural Canada leads to its depopulation. Much of this decline and de-development began in the 1980s when we pledged ourselves to free trade, and it intensified throughout the 1990s as we learned the word "globalization."

With more than a decade of evidence and experience, there can be little debate: free trade and corporate globalization are granting tremendous benefits to agribusiness and other corporations and heaping huge costs onto farmers, public infrastructure, rural communities, and the environment. This is the reason that farmers are taking to the streets in increasing numbers to protest against these agreements. This is also the reason that farmers are organizing nationally and internationally through organizations such as the Via Campesina.

The government of Canada, like governments around the world, has committed a fundamental policy error. It has mistakenly signed agreements corrosive to the common good and beneficial to a small number of wealthy and powerful corporations and individuals. The National Farmers Union, the Via Campesina, and organizations around the world are acting in the best traditions of democracy in opposing such agreements and in helping our elected representatives to reverse their policy error. *END*