Losing Our Grip:

How a Corporate Farmland Buy-up,
Rising Farm Debt,
and Agribusiness Financing of Inputs
Threaten Family Farms and Food Sovereignty

(or, "Serfdom 2.0")

A report by Canada's National Farmers Union

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Outline of a problem

The land on which our food is grown is, to a significant extent, owned by local citizens and the families who work that land. This family farm model is widely supported—by farmers and non-farmers alike. But this model is under serious threat of extinction. And the issue goes beyond mere land ownership: the core issue is one of autonomy and control—ensuring that the men and women who produce our food have stable, resilient bases from which to make good, *long-term* decisions for their farms and for our food systems. This stability and long-term thinking can lead to superior environmental outcomes, more prosperous communities, and the inter-generational transfer crucial to our family-farm model. In working to ensure autonomy and control, the aim is not farmer "independence," but rather healthy *inter*dependence—the farmer as an integral part of his or her family, community, region, and nation. Our farmers are stewards who need to be free to react to the needs of their soils, animals, families, and neighbours as much as to the dictates of markets, bankers, or agribusiness. If corporations or wealthy investors take control of our land and farms, our food systems and ecosystems will be seriously damaged.

Our traditional model of farmer autonomy and control and local land ownership (and the national food sovereignty it supports) is currently threatened on at least three fronts:

1. **Non-farmer foodland buy-up, a.k.a. "land grabbing."** In countries around the world, including Canada, investors, corporations, and foreign entities are buying up farmland. Canadian farmers, financially weakened by an ongoing farm income crisis, are easily outbid for land by corporations and by investors looking for safe financial havens in uncertain economic times.

2. **Farm debt.** Current Canadian farm debt is massive, and rising. For each net income dollar farmers earn, they must shoulder, on average, 23 dollars in debt. Burdensome debt distorts the way farmers make decisions—forcing many to focus less on the soil,

the future, and nature, and more on short-term cash flow. While farmers may retain the titles to their farms, as debt snowballs, they cede control and autonomy.

3. **Input financing by agribusinesses and investors.** Corporations are financing an increasing share of farmers' seed, chemical, and fertilizer purchases. In one version of this arrangement, it appears that some grain companies are financing crop inputs, and also requesting (or requiring) contracts that bind farmers to deliver their crops in the fall to the company that supplied the inputs and financing. In another version, investors "participate" with the farmer by providing operating capital, then taking a portion of the crop at the end of the year.

As farmers *owe* more and more and *own* less and less, and as farmers are forced more into the arms of corporations and investors, farmers lose control of Canada's farms and foodland. And as autonomy and ownership are taken from our farmer citizens, Canadians lose their grip on their food system. This report examines exactly who is taking control of our land and our food system, and it explores policy options to retain citizen control and food sovereignty.

The NFU would like to acknowledge the very significant contributions made to this report by nearly two dozen NFU members in eight provinces. This report demonstrates the capacity of citizen organizations to compile information on a dispersed phenomenon. The NFU would also like to credit the pioneering work of the organizations GRAIN, International Land Coalition, and Beyond Factory Farming. Their early and ongoing research is invaluable to our efforts. Thank you.

1. Land Grabbing

Chinese investors are interested in farmland and food processing in Ontario.
—headline subtitle, *Ontario Farmer*, October 6, 2009 [1]

Seeking an agriculture play? Buy Saskatchewan.
—headline, *Globe and Mail*, April 21, 2008 [2]

I'm convinced that farmland is going to be one of the best investments of our time.
—commodities guru Jim Rogers.[3] US-born and Singapore-based Rogers serves as an adviser to Canadian farmland investment fund AgCapita (details below).

I haven't yet talked about . . . the single best land idea I've encountered so far—Canadian farming land, out in the Western states. Now there's a damn good reason for that silence on my part—you can't buy any of this ultra-cheap farm land because only local residents can buy the stuff. Still if you can find a way around these regulations then I suggest you read on.
—*Financial Times* (of London, England) investment columnist David Stevenson[4]

Asians key investors in 30-farm purchase.
—headline subtitle, *Toronto Star*, June 17, 2006 [5]

Around the world, as commodity and stock markets oscillate upward and downward with ever greater amplitude, foreign governments, corporations, and investors are turning their attention to farmland. A global land-grab is underway, one in which farmland in an increasing number of countries is rapidly passing out of the hands of local farmers and into the hands of distant elites.

According to *Fortune* magazine, "The biggest investors in farmland over the next decade will probably be sovereign wealth funds and governments of crop-starved countries."[6] A "sovereign wealth fund" is a *state-owned* investment fund. Globally, such funds hold nearly $4 trillion in assets.[7] Gulf oil states such as Saudi Arabia, United Arab Emirates, and Abu Dhabi, along with China, Norway, and Russia, hold the largest such funds.[8] In April 2008, China announced a $5 billion plan to develop agricultural assets in Africa.[9] Persian Gulf oil producers Qatar, Abu Dhabi, and Saudi Arabia are all making deals to acquire or lease large tracts of farmland in both Africa and Asia.[10]

In addition to foreign governments and their sovereign wealth funds, private investors, investments companies, and agribusiness corporations are also buying up land. Lord Jacob Rothschild (of the famous banking Rothschilds) has invested $36 million in a company buying up Brazilian farmland.[11] Toronto-based Manulife Financial, through its US-based Hancock Agricultural Investment Group (HAIG), now "oversees" 183,000 acres of prime US farmland.[12] In 2008, The UN International Fund for Agricultural Development (IFAD) warned:

> *A number of governments are seeking land to buy or lease in developing countries in order to secure their supplies of food, feed, and agrofuel*

> *production. Public and private corporations and industrial groups are buying millions of hectares of land in Africa, Asia, and Latin America to produce food or agrofuels. Investment banks and hedge funds are also buying vast tracts of agricultural land around the world. The speed at which demands for the commercial utilization of land is increasing, is eroding the ability of poor land users to continue accessing it. Poor people with insecure tenure are the most vulnerable to being dispossessed and forced off their land.*[13]

Organizations such as GRAIN (see www.grain.org and http://farmlandgrab.org) and the International Land Coalition (www.landcoalition.org) have done very good jobs of detailing corporate, government, and investor land grabbing internationally. The report you have in hand focuses in on the rapidly unfolding situation here in Canada.

Land grabbing in Canada

Let's begin with a cautionary tale. On February 1, 2008, Microsoft offered to buy Internet and search engine company Yahoo! Inc. for $44.6 billion in cash and stock.[14] (The values of the Canadian and US dollars were near par at that time.) Then, as now, Yahoo! was not the top player in the Internet business—that position was, and is, held by Google. Keep that $44.6 billion figure in mind.

Canada's farmland (cropland, pasture, etc.) comprises about 167 million acres, with a wide variety of farm buildings spread across that land. Statistics Canada calculates "value per acre of farm land and buildings." In 2008, those average values of land and buildings ranged from $453 per acre in Saskatchewan to $4,593 per acre in Ontario. The weighted-average price of Canadian farmland and buildings, according to Statistics Canada, was $1,394 in 2008.[15] That price is probably higher today; for ease of calculation, let's use a value of $1,500 per acre. At that price, the $44.6 billion offered by Microsoft would have bought nearly one-fifth of all Canadian farmland and buildings.

Thus, *the amount of money offered by one corporation in one transaction for a second-tier internet company is enough to buy nearly one-fifth of Canadian farmland—34 million acres, and the barns and bins and workshops on those tens-of-millions of acres.* This single example illustrates the massive capacity of corporate capital to buy farmland. In coming decades, if Canadian (and global) farmland is allocated on the basis of "ability to pay," it will not be allocated to local farm families.

There is scant data available on corporate and investor ownership of Canadian farmland; most governments are not collecting any such data. However, the following specific examples cast light on some of the larger patterns.

Corporate/investor ownership, example 1: Nilsson Bros. Inc.

British Columbia's South Peace Stock Farms (also known as Bavaria South Peace Farms Limited) was described by *Canadian Cowboy Country* magazine as "A big operation running more than 10,000 head on the banks of the Peace River."[16] It was located along the west side of the Alaska Highway, Mile 26, midway between Farmington and Fort St. John. At one time, South Peace Stock Farms included 41,000 acres.[17]

Nilsson Bros. Inc. is Canada's largest beef packing corporation,[18] owning nearly half of Canadian capacity.[19] In addition to its packing plants, holdings of the Nilsson Bros. conglomerate also include (wholly-owned or in partnership) feedlots, most of western Canada's large auction facilities, a cattle finance company, and an insurance company.[20] And those holdings also include large areas of farmland.

In September 2003, Nilsson-owned Nil-Ray Farms Ltd. bought approximately 26,000 acres of ranch- and farmland from Bavaria South Peace Farms Ltd. That transaction included most of the property formerly known as South Peace Stock Farms.

There is no public word as to why a Nilsson company bought the 26,000 acres, but area residents speculate that the corporation may be using the land to graze cattle, possibly cattle bought in Nilsson-owned auction barns and cattle that could later move to Nilsson-owned feedlots or packing plants.[21] If Nilsson Bros. Inc. and its affiliates are in fact backgrounding cattle and/or grazing cow-calf pairs on those acres, they are doing so in direct competition with the thousands of family farms across Canada that currently produce feeder cattle and calves. With this farmland acquisition and others, the Nilsson Bros. conglomerate adds another link in a vertical-integration chain that stretches right from the land and grass cattle graze upon, all the way up to the meat en route to supermarket coolers. Corporate land purchases such as these raise concerns on at least three fronts:

Vertical integration

Food production occurs in a chain that reaches all the way from energy companies and input suppliers at one end, through the family farm, and on up through processors and retailers.

Vertical integration is a strategy wherein agribusiness companies work to expand their power and profit by taking over additional links in the chain. Beef packers buy feedlots and feed companies. Grain companies expand into grain processing, and even into restaurant chains.

- Vertical integration further strengthens corporations and enhances their profit-capturing powers;
- Land ownership and food production makes the processor corporation simultaneously a market for farmers' products and a competitor to those same farmers (the company is both buyer and seller); and
- Corporate purchases and ownership affects land prices, ownership patterns, and farmers' ability to purchase or hold land in the future.

In addition to its holdings in BC's Peace River region, the Nilsson Brothers conglomerate also owns farmland in the County of Athabasca, Alberta.[22] The NFU received several other reports of Nilsson Bros. companies and associates owning or purchasing land in several other Alberta counties, but time did not allow those reports to be fully researched and documented. Nevertheless, it is likely that additional research would detail land holdings totalling many thousands of acres in multiple provinces.

Example 2: One Earth Farms Corp./Sprott Resource Corp.

Formed in March 2009, One Earth Farms Corp. planted and harvested 13,000 acres in 2009.[23] One Earth says it has signed letters of intent with First Nations landholders that will enable the company to increase its farmed area to 75,000 - 100,000 acres in 2010, and to 200,000 acres in 2011.[24] The company has stated repeatedly that its goal is to farm one million acres.[25]

One Earth is the offspring of a financial marriage between Sprott Resources Corp. and 18 First Nations from Saskatchewan and Alberta.[26] In its March 4, 2009, news release, Sprott calls One Earth "a large scale, fully integrated corporate farming entity" with "access to large tracts of world class First Nations' farmland" which "positions One Earth Farms to become the largest, most efficient, operating farm in Canada."[27]

Sprott intends to invest $27.5 million into One Earth.[28] In addition, the company recently sold $15 million worth of shares to several companies, including the CAPE Fund.[29] The CAPE Fund is "a $50 million private-sector investment fund initiated by 21 of Canada's leading companies, individuals, and US-based Foundations."[30] The fund—aimed at making investments in the enterprises of aboriginal Canadians—was founded by former Prime Minister Paul Martin, who currently chairs the CAPE Fund's investment committee. Canada Steamship Lines, of which Martin is former President and owner, is one of the 21 companies that capitalized CAPE.[31] All of Canada's big-five banks are also listed as CAPE investors, as are several major mining companies.

Sprott and One Earth have other interesting management tie-ins. One Earth Farms CEO Larry Ruud is a Director of grain company Viterra[32] (the corporate successor to co-operatives Sask. Wheat Pool, Manitoba Pool Elevators, Alberta Pool, and United Grain Growers) and a partner in accounting firm Meyers Norris Penny.[33] Blaine Favel, President and CEO of One Earth Resources Ltd. and Director of One Earth Farms, is the former Grand Chief of the Federation of Saskatchewan Indian Nations.[34] Phil Fontaine, former National Chief of the Assembly of First Nations, recently joined the Board of Directors of One Earth Farms Corp.[35]

"One Earth Farms believes that through professional farm management, geographic and crop diversification and improved purchasing power and pricing power, it will be able to achieve higher rates of profitability than those realized by smaller farms," says the company's website. And according to its CEO Larry Ruud, "With large tracts of high quality land, Western Canada provides significant opportunity to develop a large, efficient and profitably managed corporate farm."[36]

Will corporate farming work?

Underlying the investment initiatives of Sprott Resource Corp. and the other nine companies featured in this report are the ideas that investors can make money from farmland and farming and/or large corporate farms can generate a profit. Those corporations may need to rethink their optimism. They, and their investors, are perhaps in for a rude awakening.

Statistics Canada data shows that despite farm production totalling $722 billion in value over the past 25 years (nearly three-quarters of a *trillion* dollars), Canadian farmers' net income from the markets (with farm support payments subtracted out) has totalled less than zero. Due to a grinding farm income crisis, over the past 25 years, 100% of farm families' net income has come from farm support programs, off-farm jobs, and loans.

So perhaps investors and corporate farms will lose money and, thus, retreat from farming and farmland ownership. The land will perhaps then revert to farmers and all will be well again. Perhaps, but not necessarily.

In the US and Canada, multi-billion-dollar farm support programs have become the norm. In Canada, it takes about $3 billion to $4 billion per year in taxpayer-funded support payments to paper over the large losses experienced on our family farms. Large tax-funded transfers have become a structural element of agriculture in Canada, the US, the EU, Japan, and elsewhere.

So, the possible outcomes are not simply two: 1. Investors and corporate farms make a go of it and, thus, demonstrate the superiority of the corporate model over the family farm model, or 2. Investors and corporate farms fail to make money, exit the sector, and sell the land back to family farmers. There is a third possibility, even worse than either of the previous two: 3. Investors and corporate farms fail to make money, press for and gain massive taxpayer-funded subsidies, and hold onto the farmland, at taxpayers' expense. There is a potential lose, lose, lose scenario: farmers and Canadians *lose* control of our land base, corporations and investors *lose* money trying to farm their hundreds-of-thousands or millions of acres, and taxpayers *lose* as they are pressed to write multi-million-dollar cheques to huge corporate farms.

And the losses will not be limited to taxation and finance issues: there is a huge potential *environmental* downside. Massive scale corporate-industrial crop production will have to rely on the massive deployment of technology, energy, chemicals, and force in order to gain the level of control necessary to even attempt to manage 1,000 or 1,500 square miles of land.

There is a large chance that investor/corporate agriculture will fail. But if it succeeds, it will do so as a result of enormous subsidies—subsidies paid both by taxpayers and by ecosystems.

Example 3: J. D. Irving, Limited and PEI's *Lands Protection Act*

The struggle to stop corporations from buying farmland has been most visible, and most active, in Prince Edward Island. PEI's *Lands Protection Act* serves as an illustration of how proper public policy can keep land out of the hands of corporations and investors. But the *Act*, and the struggle over foodland in the province, also shows some of the limitations and challenges all jurisdictions face when trying to restrain the financial power of corporations.

PEI passed its *Lands Protection Act* in 1982.[37] The *Act* limits corporations (with at least three shareholders) to owning no more than 3,000 farmable acres.* The *Act* was passed, and has been retained, only as a result of vigorous and ongoing work by NFU members and other farmers and Islanders.[38]

Corporations did not comply readily with the *Act*. In 1999, PEI-based J. D. Irving, Limited owned and controlled 5,600 acres of Island farmland. (Irving owns potato processing company Cavendish Farms, among other interests, and the company uses Island land to grow potatoes for its processing plants.) In 1999, the provincial Cabinet set a deadline of 2008 for the company to reduce its holdings and comply with the *Act*.[39] Despite the deadline, in early 2007 the provincial regulator was still struggling with the company over demands that Irving reveal and detail its landholdings.[40] In 2008, Irving was fined $13,000 for violating the *Lands Protection Act*.[41]

* December 2009 amendments to the *Lands Protection Act* allow landowners to exclude wetlands, forest land, riparian buffer zones, and other "environmentally significant" non-farmable acreage when calculating total land holdings under the *Act*.

PEI's *Act* is the strictest land ownership law in Canada. In addition to limiting corporations to owning a maximum of 3,000 acres each, it restricts individuals to 1,000 acres. (Individuals cannot circumvent the *Act* by forming a corporation, i.e., they cannot own 1,000 acres as individuals and also own additional acreage as part of a corporation.) The *Act* requires disclosure of total holdings by all individuals and corporations that own acreage equal to 75% or more of the limits set for their category—individual or corporate.

The *Act* also restricts ownership by non-Canadians and non-Islanders: "A person who is not a resident person shall not have an aggregate land holding in excess of five acres or having [sic] a shore frontage in excess of one hundred and sixty-five feet unless he [sic] first receives permission to do so from the Lieutenant Governor in Council."[42] The *Act* defines "resident person" as someone "who resides in the province for one hundred and eighty-three days or more a year."[43]

More details on various ownership laws follow, in the section entitled "Provincial land ownership laws," below.

Example 4: Agcapita

According to its website, "Agcapita is a Calgary-based, agriculture private equity firm that allows investors to cost-effectively allocate a portion of their portfolios to Canadian farmland . . . without the need to take on the complex responsibilities of ownership themselves. Agcapita Farmland Investment Partnership is the third in a family of private equity funds which has grown to almost $100 million in assets under management."[44] Agcapita owns between 30,000 and 60,000 acres in total.[45] Its investment portfolio of Canadian farmland is focused on Saskatchewan.

Agcapita says it is Canada's only RRSP-eligible farmland fund and describes its investors as "high net worth individuals".[46] Though the land the company is buying is in Saskatchewan, many of Agcapita's investment offerings are not available to residents of that province; instead, the company is restricting investment to Albertans and targeting Calgary and area.[47]

The investment company notes that the farmland "supply is shrinking and that unprecedented demand for 'food, feed and fuel' will continue to move crop prices higher over the long-term," and goes on to say that "Over the last 15 years farmland returns have exceeded stock and bond returns with up to 60% less risk."[48]

Agcapita's investment team is headed by Stephen Johnston, John Mackay, Harold Kunik, and Barclay Laughland. Perhaps more interesting, though, is its Advisory Board, which includes:

- Jim Rogers,[49] commodities investment guru and co-founder (with George Soros) of the Quantum fund, in 1970.
- Jim Pallister, a Manitoba farmer who owns 15,000 acres.[50] Pallister has served on the Board of the Western Canadian Wheat Growers Association and the Manitoba Pulse Growers Association.[51] His brother is recently retired Conservative MP Brian Pallister.

- Doug Anguish, who served for many years in the Saskatchewan legislature as an NDP MLA, including periods as Minister of Energy and Mines and Minister of Labour.[52]

- Kenneth Clarke,[53] former UK Chancellor of the Exchequer. He served in the Cabinets of both Margaret Thatcher and John Major and challenged for the UK Conservative Party leadership three times.

Example 5: Monaxxion in Quebec

In March 2010, both the *Montreal Gazette* and *La Terre de chez nous* (the newspaper of Quebec farm organization Union des producteurs agricoles (UPA)[54]) published articles about Quebec-based Monaxxion, reporting that the company, "purported to represent Chinese buyers, has been making purchase offers on agricultural land."[55] The *Gazette* quoted UPA President Christian Lacasse as saying that "Speculative buying would drive up farm prices and make it very hard for young Quebecers to get into farming."[56]

The reports say that Monaxxion is looking to buy approximately 99,000 acres of land in Canada, but that "western Canadian farmers have been unreceptive to selling to buyers of Chinese origin and [that Monaxxion's] clients are now looking at the Quebec market."[57] The Monaxxion representative said that "he is representing people of Chinese origin who are legal immigrants to Canada and have their own sources of financing in China."[58] *La Terre de chez nous* reports that Monaxxion has characterized its clients as "high net worth investors" ("investisseurs très fortunes"), one seeking $30 million worth of land and another with personal wealth totalling $2 billion.[59] The same sources report that the company is working with clients in India who are interested in the cranberry sector in Quebec.

Example 6: Walton International in Ontario and Alberta

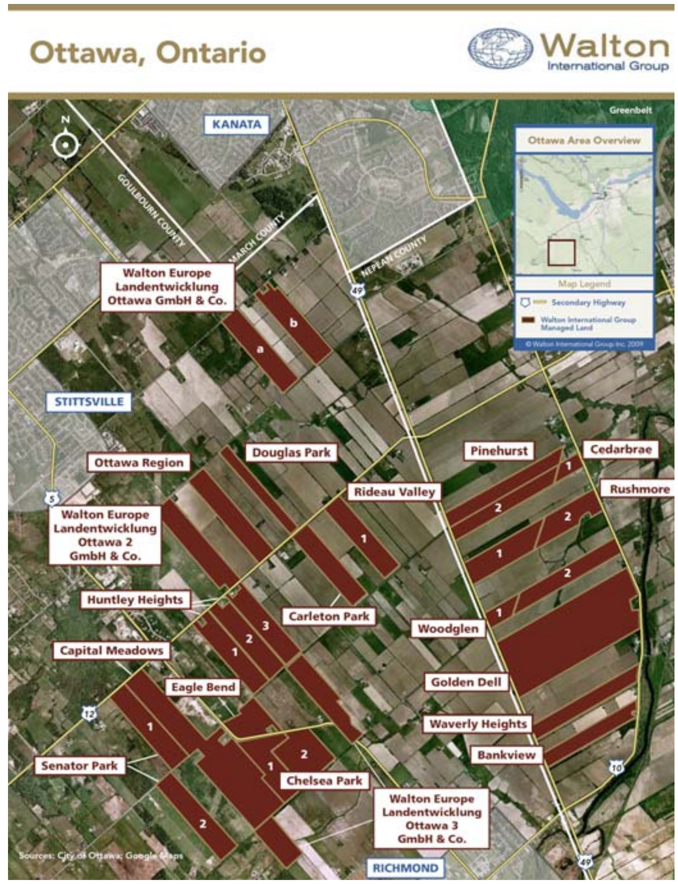
An August 2008 version of the Walton International Group Inc. website gives a good overview of the company, an overview worth quoting at length:

> *Walton focuses on the purchase of strategically located raw land in the path of development of major North American cities, a concept known as Land Banking.*
>
> *Headquartered in Calgary Alberta, Walton has offices in Edmonton Alberta, Vancouver British Columbia, Toronto Ontario, Ottawa Ontario, Winnipeg Manitoba and Saskatoon Saskatchewan and maintains an international presence in Hong Kong China, Singapore, Kuala Lumpur and Kuching Malaysia, Shanghai China, Bangkok Thailand, Tokyo Japan, Berlin Germany and Phoenix Arizona.*
>
> *Walton manages approximately 6,000 acres in and around the City of Calgary and approximately 9,000 acres within the City of Edmonton.* ***Walton now manages approximately 36,000 acres on behalf of over 35,000 investors worldwide*** *[emphasis added].*
>
> *Using the success that has been experienced in Alberta as a platform for growth, Walton is expanding into new markets in North America. First entering*

the Ontario and Arizona markets in February 2004, Walton now manages over 10,000 acres in Ontario and over 4,000 acres in the Greater Phoenix Area, Arizona.

Walton's vision is to become one of the world's largest land products companies.[60]

Walton International buys up farmland and turns it into development-ready property—some would say into "sprawl." On its website, Walton says it is "currently the largest controller and manager of development-ready land in Brant County, New Tecumseth (Simcoe) and the Niagara Region."[61] The map at right is taken from Walton's website and shows the company's holdings in the Ottawa area. According to the company, "Ottawa . . . has a 'greenbelt' that was designed to protect open space and parkland surrounding the core area of the City. The result is an increase in prices, and lack of development opportunity inside the Greenbelt, and a proven desire from the consumer and residents to locate outside of the Greenbelt in lower cost, single family neighbourhoods. . . . True to Walton's acquisition strategy, Walton has successfully assembled the largest land position in the target area and is actively pursuing entitlements and growth plans for the area."[62]



Walton has plans to buy additional farms and farmland across Ontario and Alberta.

Example 7: Assiniboia Capital Corp.

"Assiniboia Capital Corp. is the largest farmland investment management company in Canada, with almost 100,000 acres under management": this, according to Assiniboia Capital's website.[63] The company has a "diversified portfolio of grain land, grazing land, and irrigated farmland." The website goes on to say that "If you are looking to invest in farmland . . . you've come to the right place." Assiniboia's current 100,000 acres is triple its holdings as of two years ago,[64] demonstrating very rapid growth.

Headquartered in Regina, Saskatchewan, the company focuses on farmland in that province. Assiniboia's website touts Saskatchewan farmland as "undervalued," giving returns "competitive with the Toronto Stock Exchange" and "significantly cheaper than equally productive land in Alberta, Manitoba, or North Dakota."[65]

In a September 2008 presentation in Calgary, Assiniboia Capital Corp.[66] highlighted the fact that whereas the price an acre of Saskatchewan farmland was comparable to the price of an ounce of gold or ten barrels of oil in the 1980s, today, farmland prices are ½ the price of that ounce or ten barrels. The company cites a "9.4% average annual rate of return to owners of farmland in Saskatchewan (1972-2003)."[67]

The company allows investors to purchase units in the Assiniboia Farmland Limited Partnership. Assiniboia co-founder Brad Farquhar recommends to Canadians that "farmland should occupy . . . five to 10 per cent"[68] of their investment portfolio. This, of course, is nonsensical advice. Canadians have total RRSPs, investments, and savings of more than 2.2 trillion dollars.[69] To increase their farmland holdings to 10% of those portfolios, Canadian investors would have to buy *all* this country's farmland.

Assiniboia co-founder and President Doug Elmsley is also a Board member of the Bank of Canada[70]—our nation's central bank. Elmsley moved to Regina in 1982 to work for then-Energy Minister Colin Thatcher and went on to serve as assistant principle secretary to Grant Devine.[71]

Co-founder Brad Farquhar is the former Executive Director of the Saskatchewan Party and former Executive Assistant to Sask. Party leader Elwin Hermanson.[72]

Gord Nystuen—General Manager of Assiniboia's farm input financing division, Input Capital—is former Saskatchewan Deputy Minister of Agriculture, former Chief of Staff to the Premier, and former Chair of Saskatchewan Crop Insurance Corporation.[73]

Advisory Board member Lorne Hepworth is President of Croplife Canada and former Saskatchewan Minister of Agriculture, Minister of Energy and Mines, Minister of Education, and Minister of Finance.[74]

Example 8: Bonnefield Financial Inc.

Toronto-based Bonnefield Financial Inc. describes itself as "Canada's first national farmland asset and farmland property management firm" and says that its ultimate goal is to preserve "farmland for farming"[75] (the company liked that latter phrase so much that it trademarked it).

The company "offers individual investors the opportunity to hold Canadian farmland through the Bonnefield Canadian Farmland LP - a private limited partnership, which buys and holds farmland on behalf of multiple investors."[76] The company claims that "At Bonnefield Financial we enable large institutions, such as pension funds, and high-net-worth individuals, to invest in and hold farmland for long-term capital appreciation and income."[77]

On May 12, 2010, Bonnefield issued a news release regarding its Canadian Farmland LP 1 limited partnership investment fund: "Since April 2010, the fund has acquired several farm properties in Saskatchewan and Ontario and several additional acquisitions are pending in Saskatchewan and Manitoba. The Partnership's portfolio is diversified across Canada. . . ."

In that same news release, Bonnefield asserted that "Most farmland in Canada is owned directly or leased from farmer to farmer. . . . While there is a long and successful history of

. . . high-net-worth investment in farmland in . . . Europe, farmland is a relatively new and untapped investment asset class in Canada. Bonnefield offers institutional and high-net-worth investors the means to invest in this solid, stable asset." It's hard to know whether such statements embody ignorance or irony, given that it was exactly this "long history" of farmland ownership by "high-net-worth" individuals in Europe (i.e., lords and barons) that forced a massive out-migration to Canada, the US, South America, and Australia of European families who wanted to own land and to farm.

On the one hand, the idea that the global elite might buy up the planet's foodland may seem like conspiracy theory. But for companies such as Bonnefield and many others, that idea is something else: a business model.

Example 9: Hancock Agricultural Investment Group

Hancock Agricultural Investment Group (HAIG) is a Boston-based unit of Toronto's Manulife Financial Corp. HAIG is one of the largest owners and managers of agricultural real estate in the US, "overseeing" approximately $1.2 billion worth of agricultural real estate for institutional investors that include public and corporate pension funds and corporate investors.[78] For example, in 2004 the Alaska State Pension Investment Board invested $100 million with HAIG and its farmland portfolio.[79]

According to its website, HAIG oversees nearly 183,000 acres of prime US farmland in major agricultural regions including California, the Midwest, the Mississippi Delta, the Pacific Northwest, the Southern Plains, and the Southeast. HAIG also oversees 6,000 acres of farmland in New South Wales and Queensland, Australia.

Hancock's first Canadian purchase, made in mid-2009, was an 1,100-acre "state-of-the-art Quebec cranberry farm" that the company calls "one of the most highly productive properties in the industry."[80] Hancock President Jeff Conrad says that the company is in Canada to stay, and the fund plans to seek more land.[81]

Example 10: Westchester/Cozad Asset Management

Westchester Group Inc. labels itself to be an "agricultural assets manager, globally."[82] The Illinois-based company tells its website visitors that it has "acquired, managed and marketed more than $2 billion in land in 40 states since 1986. Westchester manages nearly 70,000 acres in 11 states and over $400 million in clients assets. We manage crops such as Midwest grains, Florida citrus, Arizona vegetables, Mid-south cotton, California almonds and wine grapes and Washington apples."[83]

In addition to farmland purchases as investment vehicles, Westchester also offers farm management services to absentee landowners.

Westchester plans to open a Saskatchewan office soon.[84]

Land grabbing in Canada: Government tie-in, government buy-in

In this section—and in the following ones dealing with land ownership laws—this report will show that governments have key roles to play in determining whether foodland will remain in farmers' hands, or whether that land will be rapidly snatched away by foreign concerns, investors, and corporations. Unfortunately, more often than not, government action paves the way for a non-farmer buy-up of Canada's foodland—eroding national sovereignty and food sovereignty alike, and worsening the situation for our struggling farm families.

Here is an overview of the means by which federal, provincial, and territorial governments are paving the way for a corporate/investor farmland buy-up:

1. *Inappropriately high caps on farm support program payments.* Canada's federal and provincial governments have systematically raised the caps on taxpayer-funded farm support programs, until those so-called caps now stand at $3 million per "farm" per year. Without those inappropriately high caps, corporate farms such as Sprott/One Earth and others probably could not exist. By using taxpayers' dollars to underwrite losses on giant corporate farms, our governments are facilitating the expansion and proliferation of such farms.

2. *Direct government promotion.* The Government of Canada's "Invest in Canada" website[85] features a promotional blurb for Hancock Agricultural Investment Group (HAIG). The piece touts "Canada's low political risk and fertile fields" and predicts that "Canadian farmers can expect a flurry of international interest in the coming months as investors bet that low commodity prices will rebound," eventually concluding that "Canadian farmland is still affordable by global standards." What is this if not the Government of Canada marketing Canadian farmland to international investors? In another instance, crown agency Farm Credit Corporation (FCC) has as part of its "AgriSuccess Express" website a laudatory article featuring the Agriculture Development Corporation/Assiniboia Farmland Limited Partnership. The FCC's article is entitled "Farmland proving to be solid investment."[86]

3. *Technical assistance.* Perhaps inadvertently, government agencies are compiling the data (often from farmers) that corporations and investors use to target farmland purchases. To know what land to buy, these companies look at criteria including soil quality, yield, distance to the nearest grain elevator, and rainfall. The companies report that, a decade ago, it took three days to assess a piece of land. Now, with government-collected information loaded into their computers, "we can do it in about 90 seconds," according to Assiniboia Capital Corp. CEO Doug Elmsley.[87]

4. *Financing the takeover.* Recall that Assiniboia Capital is Canada's self-described "largest farmland investment management company . . . with over 100,000 acres under management." And recall that Assiniboia has tripled its land base over the past two years. In light of this, it is interesting to learn that Assiniboia's primary capital source is taxpayer-owned and federal-government-controlled Farm Credit Canada (FCC). According to Assiniboia's *Management Discussion and Analysis* report dated November 23, 2009:

> *The Partnership's mortgage financing is primarily with Farm Credit Canada ("FCC"), a federal Crown Corporation with excellent access to credit markets. The response of central banks and governments around the world to the credit crisis has been to lower interest rates and pump liquidity into the system. The resulting low interest rate environment offers the Partnership excellent opportunities to finance farmland purchases at very low long-term rates and refinance certain mortgages at much lower rates upon renewal. This greatly improves cash flow and the amount of cash available for distribution to unitholders.*
>
> *During the first two quarters of 2009, we described discussions taking place between the Partnership and FCC, along with other potential mortgage lenders regarding the objective of putting in place a new mortgage instrument to facilitate the ongoing farmland acquisition strategy of the Partnership. We are pleased to report that on October 6, 2009, the Partnership signed a new mortgage agreement package with FCC and Conexus Credit Union that provides an additional $9,000,000 in borrowing capacity to the Partnership and locks in the interest rate paid for the next five years.*[88]

Referring to FCC, Assiniboia tells prospective investors that "Assiniboia Capital Corp. is located in Regina, Saskatchewan, one block away from the headquarters of Canada's largest agricultural lender."

Thus, we have governments whose crown agencies are financing a corporate/investor buy-up, promoting the buy-up process, providing key data for corporate and investor buyers, and, as we will see in the next section, weakening farmland ownership legislation to facilitate that buy-up. Canadian federal and provincial governments are clearly supportive (in attitude, word, and deed) to a corporate and investor buy-up of Canadian foodland. Statements to the contrary are simply not credible, in that they contradict facts and actions.

Land grabbing in Canada: Provincial land ownership laws

With the exception of PEI, there exists no data in Canada on corporate, foreign, or investor ownership of foodland. In early 2010, the NFU sent letters to all provinces requesting this data; none could provide it.

With regard to laws and restrictions on foreign and corporate ownership of farmland, the following gives a very brief overview. More research in these areas is urgently needed.

Provincial land ownership laws: <u>British Columbia</u>

The BC Ministry of Agriculture and Lands told the NFU in a letter that there were no restrictions on non-farmer, out-of-province, or non-Canadian ownership of BC farmland.[89] Essentially, any person or corporation, from anywhere in the world, can own BC farmland. Further, the Ministry said it has no data on how much BC farmland currently might be owned by non-Canadians, non-farm corporations, transnational companies, or investors.

Regarding data on ownership, that same letter stated: “The BC Assessment office has advised us that they are not able to discern between landownership as being classified a ‘non-farmer corporation’ or an ‘investment company’. The BC Assessment office has advised that many land owners (particularly international) use local mailing addresses, for instance care of (c/o) an accountant or lawyer, therefore it would be difficult to distinguish between ‘out of province Canadian owners’ and ‘non-Canadian owners’.”[90]

Though BC falls far short in terms of monitoring or controlling foreign and corporate ownership, it has taken progressive measures to restrict development on farmland and retain agricultural land for agricultural uses. The BC Agricultural Land Reserve (ALR) comprises numerous provincial zones wherein “agriculture is recognized as the priority use . . . and non-agricultural uses are controlled.”[91] The ALR covers approximately 11.6 million acres in all areas of the province, including the Lower Mainland, Vancouver Island, the Okanagan, and the Peace River area. The province’s *Agricultural Land Commission Act* governs ALR areas.

Provincial land ownership laws: **Alberta**

Alberta’s *Agricultural and Recreational Land Ownership Act* and its regulations limit foreign citizens and foreign-controlled corporations to two parcels of owned or controlled land not exceeding 20 acres in total.[92] Canadian citizens and permanent residents are not affected by the regulations, so Canadians from other provinces can own as much Alberta land as they wish.

Provincial land ownership laws: **Saskatchewan**

Saskatchewan presents an interesting case. Until 2003, ownership of Saskatchewan farmland was restricted to Saskatchewan citizens. Changes in 2003 removed all ownership restrictions for Canadian individuals and companies.[93] (For non-Canadian corporations and individuals, the limit has remained at 10 acres.) In proclaiming the changes, Agriculture Minister Clay Serby said the legislation sends the message to all Canadians that “Saskatchewan is open to outside investment.”[94]

Many companies cited the provincial government’s 2003 legislative changes as having a direct role in attracting non-farmer investors and corporations to the Saskatchewan market. Here are three examples:

> *Since 1970, only Saskatchewan residents could own large tracts, depressing values for a generation. Five years ago, however, the province quietly loosened the rules. This led to the creation of Agriculture Development Corp. (ADC) [a.k.a. Assiniboia Capital], based in Regina, which began packaging land into limited partnerships for investors. The company is now on its fourth limited partnership, and units are being sold through investment dealers.*[95]
>
> *Until 2003, non-Saskatchewanians were restricted to owning 320 acres each if they were Canadian. . . . [T]he Calvert government in 2003 bowed to demographic realities—an aging cohort of financially strapped farmers, a declining rural population—and lifted the ownership restriction. Now, any Canadian individual or non-public corporate entity can own as much Saskatchewan farmland as they want.*[96]

Since Saskatchewan's farmland ownership laws changed in 2003, there's been an influx of investors from outside the province.[97]

Some are even now speculating that Saskatchewan could open itself to unlimited international investment, *à la* British Columbia. Consider the following:

The [Saskatchewan] market could open up—Saskatchewan Agriculture Minister Bob Bjornerud has suggested he's open to changing the ownership rules to attract fresh capital to the Prairies. It's a conversation still in its infancy, but likely to get louder as aging farmers look to cash out and move on.[98]

Some believe that non-Canadians need not wait for the province to change its legislation; that loopholes could allow non-citizens to invest right now:

Agcapita partner Stephen Johnston says he's approached all the time by foreign interests seeking Canadian agricultural land. Foreign ownership restrictions on prairie farmland have blocked them so far, but that doesn't mean they're out of the picture. Foreigners might be able to lease farms or use loans or local partnerships to gain interests in the land. It's hard to imagine that Canada will not play a role as the global farmland rush gains momentum. Johnston is convinced it's just a matter of time.[99]

If Saskatchewan were to allow non-Canadians to buy the province's farmland, values would predictably rise. BC, with its unlimited ownership by foreign individuals and corporations, has the highest cropland values in Canada. In 2007 (the most recent year for which data is available), average cropland prices in Saskatchewan were $500 per acre. The same year, average cropland prices in BC were an astonishing $31,600 per acre.[100] Admittedly, direct comparisons are impossible—the valuation of farmland in or near the Metro-Vancouver, Okanogan, and Vancouver Island areas dramatically increases average values. Nevertheless, these above-cited three cases (1. Saskatchewan pre-2003 with ownership restricted to provincial residents; 2. Saskatchewan post-2003 with ownership open to all Canadians; and 3. BC, with ownership open to international investors) do shine light on the capacity of farmland ownership laws to dramatically affect prices and ownership patterns. If we want our farmland owned by farm families and affordable for those families' children, we need to use legislation to properly shape patterns of land ownership.

Provincial land ownership laws: **Manitoba**

Manitoba's *Farm Lands Ownership Act* limits non-Canadians to total ownership of no more than 40 acres of farmland. Canadian individuals and corporations face no limitations.

Provincial land ownership laws: **Ontario**

Like BC, Ontario has no restrictions on the amount of land non-Canadians can purchase and own. Ontario's government has yet to respond to NFU requests to provide data on land ownership by non-Canadian individuals or corporations. It is likely, given responses from other provinces, that the Ontario government does not possess such data.

Further, despite greenbelt legislation surrounding some Ontario urban centres, the transfer of farmland to non-farm uses continues at a rapid pace (see section on Walton International Group, above). Other non-farm uses also are rapidly eroding Ontario's farmland base. Near Shelburne, the Highland Companies have purchased thousands of acres and intend to turn the land into a limestone quarry (see "Limestone quarry threatens prime farm land" in the *Toronto Star*, December 6, 2009). The *Star* reports that Highland Companies is backed by a Boston-based $14 billion hedge fund, Baupost Group. Many Shelburne-area residents, including NFU members, are fighting to stop the destruction of local farmland.

Provincial land ownership laws: **New Brunswick**

Like BC and Ontario, New Brunswick has no laws restricting non-Canadians from buying farmland in the province.

Provincial land ownership laws: **PEI**

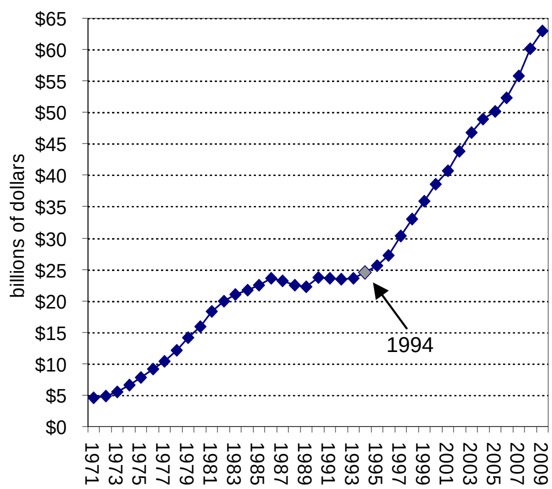
See section above regarding J. D. Irving, Limited and PEI's *Lands Protection Act*.

2. Debt

The preceding sections show that Canadians are losing their farmland base outright, to investors and non-farm corporations. But just as insidious is the less-visible *loss of control* that comes with unmanageable debt.

Canadian farm debt today is estimated at just over $64 billion (it was $63 billion at the end of 2009, the last date for which data is available). Debt is rising by about $2.7 billion per year, and it has doubled since 1997. Unchecked, it will double again by the late 2020s. Figure 1, below, shows the rapid and relentless increase in Canadian farm debt since 1994.

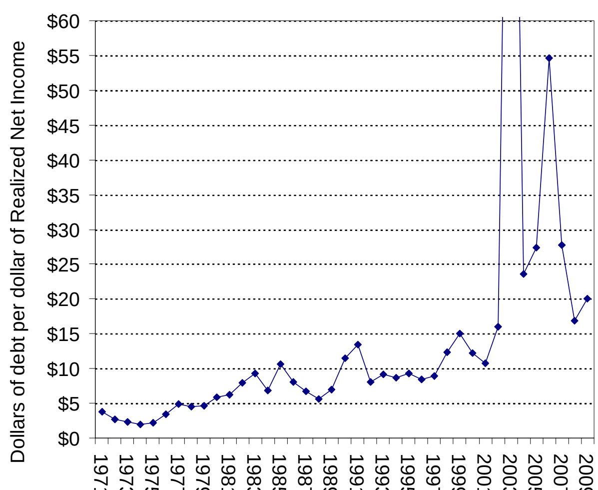
Figure 1. Canadian farm debt: 1971 – 2009



Source: Statistics Canada, Farm Debt Outstanding, Cat. No. 21-014-X

Farm debt is not only up, it is up to levels that are *completely out of proportion to net farm income*. Figure 2, below, shows the ratio of debt to that of Realized Net Farm Income—how much farmers owe relative to how much they make.

Figure 2. Canadian farm debt per dollar of Realized Net Income: 1971 – 2009



Sources: Statistics Canada, Farm Debt Outstanding, Cat. No. 21-014-X;
Statistics Canada, Net Farm Income, Cat. No. 21-010-X

Figure 2, above, shows that, per dollar of net farm income, debt has skyrocketed. (The graph cuts off the data for 2003; that value, perhaps anomalously high, is excluded from the calculations below.)* For each dollar farm families earn and keep, they have to shoulder more and more dollars of debt. This is the clearest proof that A. We are in a farm income crisis, and B. Debt levels are both historically unprecedented and unmanageable.

In terms of dollars of debt per dollar of income, decade-averages are revealing. In the 1970s, for each dollar farm families earned in net income, on average they had to carry \$3.40 in debt. In the '80s, for each dollar of net income earned, farmers had to carry \$7.42 in debt. In the '90s, for each dollar of net income, farmers had to carry \$10.47 in debt. In the recently-ended decade (2000-'09, inclusive, omitting '03), for each dollar of net income earned, farmers had to carry \$23.25 in debt—*seven times* the level of the 1970s. This last point bears repeating: To earn a net income dollar today, farmers must borrow and risk seven times as much debt as they did in the 1970s, and three times as much as in the '80s. (Because the numbers in this paragraph are ratios, or based on ratios [dollars of debt:dollars of net income] they remain the same whether the underlying values are adjusted for inflation, or not.)

That \$64 billion debt farmers now carry places them at an excruciating risk from interest rate hikes. Each one-percent increase in interest rates will cost farm families \$640 million dollars per year—nearly one-third of all their net farm income. A 3.5% interest rate hike will erase *all* Realized Net Farm Income. Most Canadians would agree that Canada's family farms are "maxed out" when it comes to the amount of debt that can be serviced on \$2 billion or \$3 billion in net farm income.

Seen another way, farm families are currently paying about \$3 billion in interest on farm debt each year. And taxpayers are paying just slightly more than that amount to farmers each year in the form of production-insurance and income-support programs. Interest payments on the enormous debt are absorbing nearly all of the money taxpayers are generously transferring to farm families.

Finally, their \$64 billion in debt destroys farmers' autonomy and cuts off their options. Borrowing to diversify or to pursue a new option is harder if the farm is already mired in debt. For example, some farms might want to make the transition to organic agriculture, but several hundred thousand dollars of debt and the need to "cash flow" repayments make the three-year transition to organic certification difficult. Other farmers might see other options, but since change can bring risk, nervous bankers may be quick to pour cold water on farmers who may want to change direction without assurance of quick success. Every household knows: large debt has a way of dictating a track, and cutting off options.

This report looks at the ways in which Canadians—farmers and non-farmers—are losing control of our land, farms, and food systems. Debt is one way. Debt removes control and constrains actions. Debt makes it harder to transfer ownership to the next generation, and makes farm liquidation more likely. Debt repayment deadlines push farmers to make choices

* The ratios are computed by taking the value of farm debt and dividing that value by net farm income. When net farm income falls almost to zero, the ratio quickly rises very high. The ratio value for 2003 was 143—143 dollars of debt per dollar of net income. While that is a true reflection of the debt-to-income relationship that year, it is probably not a true representation over the medium term and, thus, to err on the side of caution, the ratio value for 2003 is not used in calculations here.

based on short-term cash flow, rather than on the needs of the soil or of the next generation. Farms have traditionally been places where long-term thinking and holistic decision-making prevailed. Debt forces farmers to adopt the short-term thinking common to corporate boardrooms, with predictable results for the environment, fertility, and the future.

3. Input financing by agribusinesses and investors

On one side, farmers are losing ownership of their land as corporations and investors move in to buy it. On another side, farmers are losing *effective* control of their land, farms, and futures as crushing debt cuts off options and locks farmers into an ever-more-desperate scramble to generate cash to pay interest. In this section, we examine a third force: corporate intrusion into the fabric of farming, wherein farmers must increasingly turn to grain companies, input makers, and investors to finance the day-to-day operations of Canada's farms.

Corporations are financing an increasing share of farmers' seed, chemical, and fertilizer inputs. In one version of this arrangement, grain companies finance crop inputs, sometimes, it appears, in return for a contract that farmers will deliver their crops to the company in the fall (and in return for the profit on the input sales and the interest on the financed amounts). In another version, investors "participate" with the farmer by providing operating capital and taking part of the crop at the end of the year. Below are some examples of how corporations are inserting themselves into the cash flow streams of our family farms (and into the decision-making and control processes of those farms).

Investor/corporate input financing, example 1: AgStream Inc.

AgStream Inc. is a division of Calgary-based Pike Management Group. AgStream is billed as "the first company to offer an opportunity for external investment in primary agriculture."[101] AgStream enables "private and institutional investors [to] enter into joint ventures with producers on canola production."[102] Investments are RRSP-eligible.[103] Here is an explanation of AgStream's strategy:

> *To understand how the joint venture works, take, for example, a participating Pike Management Group farmer member with a three-year average canola yield of 35 bushels per acre.*
>
> *The variable and fixed costs to grow the crop, including a 15- to 20-per-cent allowance for return on investment for the producer, are assumed to be $300 an acre.*
>
> *In a 50-50 joint venture with AgStream, the producer will receive $150 in cash for each acre of canola grown on the farm. For its contribution, AgStream would get half of the canola produced.*
>
> *Any canola above the average of 35 bushels per acre would be divided with three-quarters going to the producer and one-quarter going to AgStream.*

> *Producers with less or more than a 35 bushel per acre historical yield average will get proportionately less or more than the $150-per-acre contribution from AgStream.*
>
> *Participating producers will get 70 per cent of their money in advance of seeding and that will reduce their need for financing from financial institutions .*[104]

In 2008, AgStream was hoping to raise $20 million in order to "partner" on 100,000 acres of canola.[105] AgStream would market its own canola—perhaps 1.5 million bushels or more—making it "the largest canola producer in the country."[106]

Example 2: Input Capital Limited Partnership

Input Capital Limited Partnership is a division of Assiniboia Capital Corp. (see entry regarding that company under "land grabbing," above). Little information is available for Input Capital, but what is known indicates that the company operates in a manner similar to AgStream Inc. (see previous). For instance, the Input Capital website says that the company "is an opportunity for investors to participate in canola production with some of Saskatchewan's best canola farmers." Assiniboia's Input Capital division is headed by former Saskatchewan Deputy Minister of Agriculture Gord Nystuen.[107] Labour-union-sponsored investment fund Golden Opportunities Fund Inc. recently made a $2.5 million investment into Input Capital.[108]

Example 3: Viterra Inc. input financing

Farmers are getting more of their operating capital from input sellers. In other words, seed, fertilizer and chemical sellers increasingly are financing farmers' input purchases. As of the end of 2009, farmers owed "private individuals and supply companies" $7.5 billion dollars, up from $5 billion three years earlier.[109]

Viterra Inc. (the corporate successor to the three prairie Wheat Pool co-operatives and United Grain Growers) is Canada's largest grain company. Viterra explains that farmers are increasingly turning to large input supply companies to access credit:

> *The demand for financial services has increased dramatically in the last 10 years. Rising crop input prices, the growing number of larger, more complex farming operations, and the reduction of traditional lenders willing to support 100% of farm operating expenses have led to a shift in how agri-businesses [i.e., "farms"] are financed. . . . . Viterra Financial™ is able to offer a broad range of financing options. . . .*[110]

As of October 31, 2009, farmers owed Viterra Financial™ $528.1 million.[111] Viterra says, however, that during its 2009 fiscal year, the total credit extended under its financing plans "exceeded $1.5 billion."[112]

Making farmers dependent for working capital on grain companies and other fertilizer, seed, and chemical sellers is bad in itself: the credit is tied to the purchase of inputs from that company (farmers must buy where they can get the financing, not necessarily where products are cheapest), and because of the other business dealings and the asymmetry in size and power between the farmer and the company, the farmer is at a severe disadvantage.

But worse still is when the credit is tied to the inputs and both are then tied to crop delivery contracts. This is an area that requires much more research and, due to company secrecy, it is probably research that will have to be undertaken by federal and provincial agencies and regulators. Here is what appears to be true: In some cases, in order to get credit, the farmer must also sign a contract committing him or her to deliver the crop back to the company that supplied the credit and inputs. Again, outside of the companies themselves, there is uncertainty surrounding these practices, but there is also evidence of the input-financing/delivery-contract linkage. This, for example:

> *Viterra sells a wide variety of agri-products such as proprietary and public seed varieties, along with fertilizer, crop protection products and small agricultural equipment.* ***The Company bundles agri-products with production contracts, . . . financing options*** *and targeted marketing programs to attract commodities into its high throughput grain handling network in Canada*[113] [emphasis added].

Example 4: Cargill Limited input financing

Cargill is one of the world's largest agribusiness transnationals and a major grain handler and input supplier in Canada. In 2008, Cargill teamed up with federal agency Farm Credit Canada (FCC) to launch the Performance Financing™ program.[114] The program, available in Ontario and western Canada, provides loans to farmers that they can use to purchase inputs from Cargill. Cargill's Performance Financing™ program offers farmers up to $10 million in working capital.[115] Again, it is important that governments investigate the extent to which Cargill and other companies may be tying input sales and financing, on the one hand, to delivery contracts, on the other.

Conclusions and recommendations

For some, farmers and ranchers still evoke the myth of the rugged individual: A lone figure atop a tractor or horse or in a dusty pickup, surveying his or her land, making plans, moving forward toward goals without the need to ask permission or to report to superiors. But if that picture ever was true, it is no more.

Farmer autonomy and control are fast eroding. As farmers lose that control, they lose the ability to make effective long-term plans. And Canadians lose sovereignty over their territory and their food systems.

Increasingly, farmers are caught: battered by a farm income crisis, bound by debts to banks and agri-business companies, and sometimes forced to sell off land to citizens of other nations, corporations, and investors, or to bid against those outside interests if a farmer's aim is to purchase.

The farm model of the past 100 years (numerous, relatively stable and autonomous family farm operations interdependent with, and interlinked to, communities) is being dismantled at an accelerating rate. We may be on the verge of a new system wherein those who work the land do not own it, a situation that would look familiar and comforting to a thirteenth-century lord.

This situation isn't wholly new: the dispossession of farmers has been proceeding for decades, sector by sector. Over the past 15 years we've witnessed, for example, the transformation of the hog sector: from a situation wherein most hogs were tended by family farmers who owned the land, barns, and hogs, to a situation now where the hogs are tended by workers and the land and huge barns are owned by large corporations.

Going back further in time and looking across the border, we can see the prototype for much of what is happening in Canada today: the US "Tyson chicken model," wherein a company takes control of a sector and turns formerly autonomous farmers into "contract growers." These growers are forced to go into debt in order to house Tyson's chickens, feed them Tyson's feed, and deliver them back to Tyson under contract, for as long as the grower can remain in Tyson's good graces. "Serfs with a mortgage" is what Auburn University Professor Emeritus C. Robert Taylor calls these contract chicken growers.[116]

In sector after sector, we're seeing autonomous farmers displaced by corporate-linked or corporate-controlled "growers." This replacement process has largely been accomplished for the Canadian hog production sector. The replacement process—autonomous, secure farm families replaced by insecure, corporate-dependent contract growers—is now well underway for potato growers who produce for McCain's, Irvings, Simplot, and other "processing" potato companies. The beef feeding sector is largely lost into corporate-linked mega-operations that would be out of business tomorrow if they dared to criticize Canada's packing-plant establishment.

In the grains and oilseeds production sector, as we've seen above, a farmland buy-up, corporate financing, and option-constricting debt is eroding farmers' autonomy, resilience, independence, and viability. Clearly, what Tyson did to the US chicken sector and what Maple Leaf and Olymel did to the Canadian hog sector cannot be done nearly as rapidly or completely to the Canadian crop-growing sector. Nevertheless, there is a clear shift occurring: farmers' power within the sector and profits from the sector are both declining rapidly; agribusinesses' power and profits are both increasing rapidly. There is a transfer of ownership *and control* well underway; one that will soon have disastrous consequences for Canada's sovereignty, economy, environment, communities, culture, democracy, and food supply.

The solutions to the problems detailed in this report are readily apparent. But in order to be as clear as possible, the solutions are worth stating. The NFU strongly recommends that:

1. Canada and its provinces must enact a unified set of land ownership restrictions wherein farmland can be owned only by individuals who reside in the province in

which the land is located, or by incorporated farming operations owned by individuals who reside in the province in which the land is located.

2. Differential land taxation rates should encourage ownership by farm families and other local citizens, and discourage investors and large corporations from buying and owning farmland. Farmers and other local residents should be charged lower tax rates while investors, foreign interests, non-farm corporations, and large farming corporations with numerous shareholders should be taxed at higher rates.

3. The Government of Canada and the provinces must set up mechanisms for farm family intergenerational land transfers that do not rely on loans and interest payments. And governments must find ways for young and new farmers to gain secure access to foodland that does not require massive indebtedness. Such mechanisms could include:

    a. Community-owned land trusts and land banks to ensure local food production and to enable the entry of new farmers and other food producers.

    b. Community-based financing options (that retain interest-payment dollars within local communities).

    c. Government agencies that support seller-finance options. (Sellers and buyers could self-finance, and the role of the government agency would be to step in in rare instances when transactions go bad and there is a need to return the land to the seller.)

4. As in British Columbia and some other jurisdictions, the transfer of farmland to non-agricultural uses must be restricted and curtailed.

5. Canadian federal, provincial, and territorial governments must deal with the debt bomb that has been planted under the base of our food system by:

    a. Preparing an honest and factual analysis of farm debt and net farm income (so far, AAFC has either ignored or misrepresented the problems);

    b. Designing effective, capped, and targeted farm support programs that allow farmers to gain short-term stability, and thus, to manage an increasingly unmanageable debt load;

    c. Responding honestly and effectively to the farm income crisis and the imbalance of market power that is at the root of that crisis so that farm families can emerge from chronic financial hardship and once again begin earning farm-sustaining incomes from the marketplace; and

    d. Acknowledge governments' role in creating the debt crisis through policies and legislation which have allowed corporations to externalize costs to farmers. For example, when bad legislation empowers railways to externalize costs, those costs do not disappear—we can locate them today if we search the debt column of the farm financial ledger. Similarly, policies and legislation that empower seed and input companies have the effect of increasing farmers' costs and indebtedness. The farm debt crisis is a reflection and an outgrowth of a farm policy crisis. Governments must immediately deal with both crises.

6. Farm input suppliers must be banned from (in any way) tying input financing to delivery contracts.

On behalf of Canada's family farmers,
National Farmers Union, 2010

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3 Brian O'Keefe, "Betting the Farm," *Fortune*, June 16, 2009.

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8 Sovereign Wealth Fund Institute.

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11 O'Keefe.

12 Hancock website: http://www.haig.jhancock.com/haig/about.htm .

13 International Fund for Agricultural Development (IFAD), *Improving Access to Land and Tenure Security: Policy*, September 10, 2008, p. 4.

14 Microsoft Corporation news release, "Microsoft Proposes Acquisition of Yahoo! for $31 per Share," February 1, 2008.

15 Statistics Canada, "Value of Farm Capital—Agricultural Economic Statistics," Cat. No. 21-013-X, May 2009, p. 14.

16 Hugh McLennan, "Spirit of the West, Dan Stocking, Top Hand" *Canadian Cowboy Country*, December 2009-January 2010, p. 14.

17 Hugh McLennan, "Spirit of the West, Cattle Ranching of the Last Frontier, Darrell and Nancy Peterson," *Canadian Cowboy Country* magazine, December 2008-January 2009, p. 14. See also "F.F.C. Take Honours at Ft. St. John," *Caribou Observer*, May 25, 1967, pp. 1-2 (available on-line).

18 The ownership structure of the Nilsson Bros. Inc. companies is extremely complex. The NFU has compiled a rough approximation of that structure showing, for instance, Nilsson Bros. Inc.'s ownership of Alberta Beef Packing Inc., which, in turn, owns XL Foods Inc. A copy of the NFU's approximation of the Nilsson Bros. Inc. corporate structure is available by request.

19 Plant capacity numbers are from CanFax, *2009 Annual Report* (capacity numbers are listed as "January 2010").

20 For details of Nilsson holdings, see National Farmers Union, *The Farm Crisis and the Cattle Sector*, November 19, 2008.

21 Personal communication with three South Peace Stock Farms area residents, March 2010.

22 County of Athabasca map, on-line at http://www.athabascacounty.com/2009%20County%20Map.pdf . On that map, see, for instance, Township 63, Range 21 and Township 63, Range 20.

23 Brian Cross, "One Earth Farms prepares to harvest first prairie crop," *Western Producer*, August 13, 2009.

24 Mary MacArthur, "Agricultural firms buy into corporate farm concept," *Western Producer*, January 7, 2010.

25 See, for instance, Joe Friesen, "Natives, Bay Street form country's biggest farm," *The Globe and Mail*, March 26, 2009, A-7.

26 Karen Morrison, "First Nations place hope in One Earth," *Western Producer*, April 2, 2009.

27 Sprott Resource Corp. news release, "Sprott Resource Corp. Announces Launch of One Earth Farms Corp.," March 4, 2009.

28 Sprott Resource Corp.

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31 CAPE Fund website: http://www.capefund.ca/en/investors.html .

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35 Saskatoon newsroom, "Former Fist Nations leader joins One Earth Farms project," *Western Producer*, November 25, 2009.

36 Sprott Resource Corp.

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