

Report from the Farming for Profit?

Conference Review

From Marion McBride and Ken Dash

Farming for Profit?, an interesting title for the 18th annual conference, was held at the Heritage Inn in Moose Jaw on June 26th and 27th. Dr. Andrew Schmitz, native of Saskatchewan but a resident and professor in Florida, organized the impressive list of speakers covering a wide variety of subjects. APAS, as a sponsor of the conference, encouraged producer representatives to attend. The themes for the conference included Making Agriculture More Productive and Profitable and Competition from Russia, Ukraine and Kazakhstan.

As the title indicates, there were many agro - economists in the list of speakers from Canada but also from various States. Former Premier Grant Devine hosted the session about Global Food Security. We found out the U of S is to be the home of the Global Food Security Institute. Dr. Jill Hobbs shared stats about upcoming world population of 9 billion by 2050 and discussed the five Food Security issues: innovation, productivity, international trade, supply changes and institutions, climate change adaptation and aboriginal remoteness. Richard Downing emphasized the need for research dollars to meet innovation needs. Then Al Scholz, talked about how Saskatchewan is well positioned to begin value adding to our raw products as at this point we are “producers of food ingredients” not of “food” and we import all but about 3% of our food. He also made the point that was revisited many times over the two days that the answer to high prices for food is high prices as that drives competition and lowers prices. The world has many areas that are underutilized. We were then advised to be aware of the world currency issues that are causing high land prices from investors seeking hard assets and the buying up of land in areas like Africa. The US hold 5% of the world population, 23% of the GDP and 85% of the currency but are now taking in only \$100.00 for every \$167.00 spent. This will lead to continued agriculture inflation. International trade economist, Bill Kerr, reminded us that when prices

hike, it impacts everyone differently. We are at a position where transportation is the key to food security as if there is an agricultural disaster we just move the food in from somewhere else in the world but if you have a transportation disaster, we will be challenged. Chuck Moss from Florida reminded us that “booms” cause more problems than “busts” and that the ethanol industry and its incentives are just such a problem, driving commodity prices and then food costs. We then heard from Jim Sealy that the portion of income spent on food varies widely in various countries. Our 12% compared to 23% in Brazil and 73% in emerging countries highlighted that if the price of food goes up the money spent on education, medicine, transportation and communication is forced down and slows all other parts of the economy.

After the panel on food security, we heard from Dan Hawkins, of the U of M, about the recent volatility in the market and his recommendations to work with someone you trust who is on top of immediate changes in the market if you are planning to use hedging to balance your potential sales. Derek Brewin also from the U of M, emphasized that our domestic use is up as is our production. The Beef herd is down from what it has been and promises to go lower as prices are good and farmers are culling heavy. He suggested you need to know your geography and your process to do well. Ken Rosaasen, APAS Rep from his municipality and professor from the U of S has developed a great website and program called Freight Manager 3, to help farmers search pricing for various delivery points (300 elevators in SK) and different commodities in the province. The site is available for free to producers.

The third segment of the conference addressed Agriculture Moving Forward. Leading off was Jared Carlberg from the U of M. He spoke about the non-farmer ownership in Western Canada. Many large ag companies are buying up farm land to protect their investment portfolio from currency disruptions. This results in capital including that of support programs, flowing out of rural areas, lack of concern from owners regarding stewardship of land, population shifts and it forces prices up artificially. One such operation includes 150,000 acres of land, with an additional 100,000 acres of pasture and 22,000 head of cattle. He questioned our provincial policies that don't have ownership restrictions or

responding taxation policies related to treaty land entitlements which impact education taxation. Robert Ivey then discussed the beef industry trends and challenges. He noted we have dropped our cow numbers down 7% and the US is down 20%. We now have an increase in restaurant trade and off shore markets. The price of feed has increased volatility. He suggested a cost shared protection by government for the beef industry. He also noted we need funds put towards genetics and forage research. We now winter out cattle and the forages need to be winter friendly and high in nutrition for cattle to maintain weight gains through all seasons. Robert Friesen of FNA, Doug Faller of APAS and Brian McConkey of Ag and Agri Food Canada, then discussed the issue of carbon credits for farmers. Interestingly the government recognizes and uses the agricultural credits in international calculations but the credit is not necessarily turned back to the farmers. It is estimated that 8 plus million metric tons of carbon is being sequestered by SK farmers. The credit could be valued as high as \$4.00 an acre and now they are talking \$0.30 an acre if the protocols as suggested for Saskatchewan are approved unlike Alberta farmers who have been paid retroactively as far back as 2002 for their part in sequestering carbon at the much higher rates.

Monday morning, we started our day with a discussion about the US New Farm Bill with speakers Parr Rosson, Flynn Adcock and William Meyers. The projection is that the US government would like to cut support to agriculture and related food programs from \$760,000 billion down to \$590,000 billion. The two programs carrying the most direct payments are corn and soybeans with additional blender credits and import tariffs to support their commodities. The Bill originally was to offset the high cost of inputs. With the economy in the US in such trouble Ag support seems to be an easy target compared to other areas of spending. Following this presentation we heard from Clark Folsom who has started up a new producer insurance centered on Business Interruption Insurance. Clark noted that his insurance is not for everyone as a producer must qualify by virtue of size of production and historic records.

Biofuels and Biotechnology was our next area for discussion. Jeff Schoenau a producer from Central Butte has been exploring the bi-products of these

industries in terms of biochemical, thermochemical and mechanical benefits. Currently the Bio- Fuel industry produces more than 15% of the world's supply of fuel. Applications of bi-products include fertilizer, animal feed, gasification and carbon sequestration. He suggested that more research needs to be done to fully utilize the bi-products effectively. Sally Vail from the U of S, shared the history of canola development and the use of Biotech methods to develop the current GE varieties of canola though there are other traditional methods of selection and breeding such as the double haploid production for traits. The new methods of using DNA markers and other machinery in the lab have moved the length of time from development to completion up by years. Gord Flaten then talked about GM Wheat and its history. He noted that Roundup Ready is not an important criterion as other herbicides work effectively for wheat. GMO wheat is likely to focus on disease resistance, water and nitrogen use efficiency as new varieties are developed. Development of this GM wheat will depend on the level of acceptance and tolerance by the consumers and producers, as at this time 52% of buyers didn't want GM wheat. Also the ability to effectively segregate, and detect contamination and the cost benefit to the farmer are criteria. Our high price buyers are EU and Japan, neither of which are interested in GM products. Charles Moss noted that technology is impacted by the willingness of the government to invest in the research and to impact the acceptance.

The final segment of the conference was devoted to the subject of the agricultural development and competition from Russia, Ukraine and Kazakhstan. Wade Barnes, William Meyers, Kenneth Gray, Allan Scholz, Suzanne Thornsby and Andrew Wark, having worked in and with these countries as consultants, brought current information about the recent developments there. These countries have a similar climate to Canada and have many acres not in use at this time. They have 3 feet of top soil and grow the same kinds of crops and experience the same weed pressures that we do. Because of the former government regime they were under, citizens have been discouraged from taking risks and because of the economic constraints, investment capital is very limited. Generally investors have found these countries to be lacking in trust or commitment so this has discouraged outside communication and investment. Wages are low and to

maintain employment for all, jobs are specialized and free enterprise is not encouraged. In the Ukraine there has been a moratorium on land sales and 35% of the farms are owned by only 3% of the population with large land holdings of 100,000 hectares each. Land rents for \$25.00 to \$35.00 an acre. It is anticipated that in the Ukraine that as they build their animal herds, they will not sell grain as it will be used for livestock and domestic purposes. At this time only the farmer or the government can export so grain companies are discouraged. Kazakhstan, the 9th largest country in the world is the 8th largest exporter of wheat. Most of it goes to the Middle East and Europe as transportation is affordable. Land here is leased rather than owned by the producer. In this country the standard of living is still lower than it was in 1991 when the USSR split. The life span for males is 59 due to poor nutrition and alcoholism. They are considered an emerging country and the leader of the country is building a state of the art capital as his choice of how to attract outside interest in the country. They still use primitive methods of farming for the main part of the population though there are some very large holdings on which the latest equipment, some of it from Canada are used. One of the issues for these people is a lack of adequate storage. The speakers made the point that we can help out these countries by bringing them our knowledge of dry land farming as we share that in common. The attitudes are gradually changing as younger people are taking over in the field of agronomics. Their low wages and close proximity to markets will continue to make them stiff competitors regarding price as they perfect their methods.

After the conference, we enjoyed a lovely evening at the Schmitz's barn just out of Moose Jaw.

Respectfully submitted by

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And

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