
Opportunities of the Commons: Agriculture's New Frontier

SYLVAIN CHARLEBOIS
University of Regina
Regina, Saskatchewan

In 1968, Garrett Hardin published an article in *Science*, “The Tragedy of the Commons,” which inspired my title. Instead of talking about human beings not being thoughtful about managing resources, I want to discuss what we can do to provide ourselves with a better world for the future. We are facing major challenges. When the United States catches a cold, we in Canada catch pneumonia. We are feeling the repercussions of the current downturn in the US economy. In Saskatchewan, so far, we are doing pretty well. Although unemployment numbers aren’t reassuring, I think that we will get out of this okay.

We will look at the challenges that are facing agriculture, because that’s what I do for a living. I do research in food distribution. I’m a marketing professor and I teach at a business school. Also, I do research in food safety. As an industrialized country, let’s look at the challenges we are facing and then I will present a scenario that I think is proper for us to believe in at this point in our history.

AGRIBUSINESS MYOPIA

There’s a thing that I call “agribusiness myopia.” Often at the WTO¹, on the world stage, nations come over with an export agenda. It’s about selling corn, potatoes, hogs and cattle to the world. But we also eat and buy, so it’s also about imports. Trade is about buying *and* selling, and often this myopia prevents us from believing that we are not only sellers but we are customers of commodities from around the world. In Canada we have “supply and management,” a highly protectionist measure that regulates milk, poultry and eggs. We have other measures, subsidies for example, that distort trade around the world. Like the United States, we heavily subsidize our agriculture, which makes trade difficult for developing countries.

¹World Trade Organization.

Production is a big issue as well. We are trying to produce more and more and, thankfully, we *are* producing more, essentially because of innovations such as biotechnology. That's great, but we need to do more. Also, we need to share more of our knowledge around the world, so that other countries can grow faster and better, more economically. In Canada, the processing sector is hurting. Our labor costs are high and entire industries are being affected by trade. It's cheaper to produce in China and other places. And, of course, the processing sector is hurting. How do we add value to our commodities? Canada is known to offer great commodities to the world, but with no added value whatsoever. The United States is a little bit better than Canada in that regard, but should we do more? And how?

WATER

Irrigation and water will be the number-one issue for at least the next 20 years in the prairies, and in parts of the United States as well. What are we going to do? Are we developing the technologies that will allow us to water our crops properly? Are we doing enough research in that regard? That's on the supply side—growing and producing. What about the demand? As a marketer, I care about consumers. But what about them? What is changing with consumers? First off, consumers often look for the cheap alternative. The global economic downturn is forcing consumers back to McDonald's, where some sales are up 7%. A lot of fast-food chains are doing better. Selling value-added products, premium products, is becoming more of a challenge because consumers have less money. A typical American or Canadian family spends between 10 and 12% of the annual budget on food. Thirty years ago it was between 25 and 30%. Why have things shifted? Because food is competing against plasma TVs and trips to Cancun. Food is competing against the frantic will to consume new products out there, and the food industry is suffering as a result.

How do we “brand” the food industry. How do we make food sexy again? How do we make consumers invest in food again? Over the past year, I have been happy to see food on the front page again because of the food crisis. It was reassuring. Farmers are making more money. I don't think that that is a problem. Some consumers may think it's a problem because it's costing more to buy bread and butter and produce, but, over the long term, it may be a good thing. Consumers are buying with a conscience. The 100-mile diet, anti-GMOs, vegans, organic produce, farmers' markets, the ethical treatment of animals: all of these are influencing the behavior of consumers more and more. Is the food industry adapting quickly enough to offer what consumers actually want? Markets are fragmented more than ever before. Do we fully understand what's going on? I would say that we try to, but things are moving so fast that to change the food industry—to change the psyche of price takers—will be difficult. It's a challenge.

RURAL-URBAN DIVIDE

In general, consumers don't understand agriculture. Should they care? Perhaps. But when it comes to policymaking in Canada, and arguably in the United States as well, the problem is that 85% of the population lives in urban areas and they just don't understand

how agriculture works. Lobbying groups are selling ideas to urbanites and urbanites are buying them. Governments are subsidizing farmers so that farmers can provide cheap food for urbanites who vote for governments. That vicious cycle has been going on almost forever, it seems, and it has affected how policymaking has evolved. It's probably nurturing the inertia over policy and over the industry. Add inflation and the credit crunch, of course, which are affecting our way of living, including the retail price of food and how consumers are buying. Here in Saskatchewan retail food prices increased by 12% in 2008. Can consumers bear that type of increase? I would argue not. Is it catch-up? Maybe it is, because for many years we were looking at increases of only 1 to 2% because we didn't want to affect poor families. Even so, 12% in a year is a lot.

FOOD SAFETY

This subject is near and dear to my heart. We saw mad-cow disease. We saw the case of Maple Leaf Foods in Canada, in 2008, which recalled over 220 products due to a listeriosis outbreak from which twenty-one died.

Food safety is becoming a huge issue. Are Canadians afraid of food? At the University of Regina we conduct frequent surveys on that subject. We are concerned. We measure fear. We measure perceptions. I can't speak for Americans, but, in general, although Canadians do trust the food-supply chain, the level of trust is being eroded. Consumers are more and more concerned. The more recalls that occur, the more consumers will ask questions. Where is the food coming from? How many kilometers did it travel? Is it safe to eat? Is it labeled correctly? People are asking more questions and holding companies accountable.

COOL REGULATION

COOL regulation—country of origin labeling—in the United States, and the move to buy American products, are sources of concern in Canada. It's affecting the hog and cattle industries. What are we going to do? There is an oversupply of these products in Canada. Will we adapt? Will we change our ways? We subsidize these industries in part. Should we restructure? Should we change the architecture of these commodities as the result of these changes in policy in the United States?

Is the buy-American policy, sound and fair? I would argue that it is. I would say that Canada is not a trade-focused country. It's a trade-reliant country and that's why, when the Americans come up with a buy-American policy or a COOL policy, we are out there yelling and screaming that it's unfair. We'll go to WTO. We'll go to NAFTA². And so on. Is it warranted? The world is changing quite rapidly. Is Canada changing? I would argue that the United States—regardless of what you think of how they apply policy in agriculture—has vision. You may not agree with it, but there is vision. In Canada, where is that coherent vision? We subsidize ethanol, which increases the price of corn, and then we help out farmers who can't afford to feed their hogs. It's a Band-Aid approach lacking vision. What should we do?

²North American Free Trade Agreement.

THE GATEWAY AND CORRIDOR INITIATIVE

Population density is an issue in Canada. Logistically it's a problem. You can't move products cheaply here. Our railroads, our roads, are inefficient. All of a sudden, India and China are highly attractive markets, and we have no way to move products around. We make products quickly and efficiently, but problems in moving them have led to the Gateway and Corridor Initiative, which will allow Canada to create what I call the "St. Lawrence Seaway of the West" to move products west to Vancouver to develop markets in India and China.

Canada is falling behind. The Americans are doing better than we not only because they are better equipped but also because they have population density. They have efficient inland intermodel ports—Kansas City and Chicago, for example—which we don't have in Canada. But we are slowly figuring it out. In Regina an inland port is now being built. It's happening slowly but surely, and that is reassuring. Is it rapid enough? I don't know.

ENSURING AGRICULTURE'S FUTURE

Let's dream a little and see what we need to do to make sure that agriculture thrives in the future avoiding boom and bust, to control our destiny and provide for our children. When prices of oil and commodities went down in the 1990s, Saskatchewan had to ask for a check from the federal government to pay salaries. How do we make sure that that doesn't happen again?

Food Prices

A steady, reasonable increase in food prices is a good thing. My chief reason is fertilizers. Food prices went up last year and look at what happened with companies like PotashCorp and Mosaic. For the first time in many years, these companies decided to invest billions of dollars in expansion projects, to increase production capacity of potash, an essential ingredient of fertilizers. They wanted to increase supply for farmers down the road. Because they were making money they could invest more and produce more. In developing countries the same applies. The problem in developing countries is that fertilizers are very expensive but, if you increase the supply, in time you will likely provide them at affordable prices. Developing countries dearly need sound agricultural policies so that they can create wealth for themselves. If these countries do well we are likely to do well also. Over the long-term, 20 to 30 years from now, prices at retail should stabilize. Not only for Canada, but for many countries around the world and we may not see repetition of the tortilla riots in Mexico in 2008. We may not see people being killed in riots all over the place because commodity prices increased by 70 to 80%. We live in volatile times, and we need to create mechanisms that allow humanity to absorb these shocks. We don't have that right now and are at the mercy of many uncontrollable variables.

Energy

Another important issue is ethanol. Is it good or bad? As far as I'm concerned, it has promise. As in the United States, we can't keep our children in rural communities. Ethanol projects are creating jobs in rural areas, so we have to give ethanol a chance. However,

to rely solely on a corn-based ethanol would be a mistake. We must look at other possibilities like cellulose-based ethanol down the road, so that we don't affect food prices over the long term.

Technology Innovation

I am a big believer in biotechnology. It will play a significant role, not only for Canada but globally. It makes me sad when I see reports from various groups that biotechnology is a threat to humankind, that it's the genocide of the twenty-first century, *etc.* We have to give biotechnology a chance to prove itself over the long term. However, we need to be careful. We need to continue our research and assess risks properly as we progress.

Protectionism

We need fewer protectionist policies. I don't think that countries are trading enough. Because of the economic downturn, countries are trading less, partly because of protectionism. It's difficult for a government to provide billions of dollars for the domestic economy and also justify trade to buy products from elsewhere. That's a challenge. But we went through a depression in the 1920s and 1930s because of protectionism. We can't fall into that trap again. We need to focus more on trade—trading commodities, trading knowledge, trading technologies, *etc.*—and fewer subsidies. Subsidies distort trade. They deny developing countries equal opportunities. Some great countries are progressing, like Brazil, India and Ukraine. We need to provide them opportunities to develop.

REFERENCE

HARDIN G (1968) The tragedy of the commons. *Science* 13 1243–1248.



SYLVAIN CHARLEBOIS is an associate dean and director of the Levene Graduate School of Business at the University of Regina. He teaches strategic marketing and international marketing to undergraduate and graduate students.

Dr. Charlebois's research interests include food distribution and safety and his work has been widely published in peer-reviewed journals. He has written two books on agricultural policy and marketing, and he conducts policy analyses, evaluation, and demonstration projects for government agencies and major foundations, focusing on ag policy and community development in Canada and development settings. He has authored reports published by the CD Howe Institute and the Montreal Economic Institute and is a faculty research fellow for Viterra and an associate researcher for the Montreal Economic Institute.