



POLICY BRIEF

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A SPECTER IS HAUNTING EUROPE, THE SPECTER OF FARM PROTESTS



John MacDougall/AFP via Getty Images

WHAT'S HAPPENING IN EUROPE?

What's going on with Agriculture in Europe? Farm protests have been sweeping the continent for months. Of late, the severity and violence of the protests are rising. Not to add to your anxiety in the age of the poly-crisis, but food is a pretty important foundation to any functional society. So, are the underlying dynamics driving the European discontent about to spillover here in Canada? More importantly, what should we be paying attention to if we are to avoid similar activity here at home?

In the current economic and political climate, do the protests in Europe - very much portrayed as a “farmer-lead” protest - actually have anything to do with farming? It would appear that it does, and also, doesn't. In our view there are three broad challenges that seem to be driving the protest dynamic; dynamics with some applicability to the Canadian context with some important differences.

ECONOMIC PRESSURES

First, economic pressures have hit the agriculture sector hard. The global challenges around inflation and interest rates coupled with increased weather-related challenges, energy costs and price volatility driven by the war in Ukraine, are putting significant pressures on already thin margins for Europe's farmers. Farm-gate [prices](#) have dropped by almost 9% on average between the third quarter of 2022 and the same period last year.

Such economic volatility is not uncommon for agriculture businesses that are massively impacted by market fluctuations, but the perfect storm of these factors all at once – and perhaps exacerbated by expectations for continued volatility – is not something that farm businesses typically contend with

in any given year. Recent reforms to the EU Common Agriculture Policy (CAP) have decoupled support payments from production – while also introducing new requirements related to the European Green Deal (more on that in a moment) – which have changed the farm safety net at a time when many would find such traditional support most beneficial.

In Canada, similar economic pressures have been seen but, in contrast to the European experience, strong prices have kept revenues at record levels. According to [Statistics Canada](#) “in 2022, total farm cash receipts increased by 14.6% compared with 2021”. This good news is tempered however by higher costs, like fertilizer, feed and fuel, with 2022 figures showing an 18.6% increase in total expenses.

Bleak economic expectations are creating anxiety about the future prices are further worsened by record high levels of debt and the attendant pressure from higher interest rates. For example, according to the recently published Ontario Economic [Report](#) by the Ontario Chamber of Commerce, business confidence in the economy has dropped to a record low for the second year in a row, with only 13 percent of businesses feeling confident in Ontario’s economic outlook. Confidence is lowest among small businesses (1 to 99 employees). Most significantly, confidence in the agriculture sector is the lowest of any sector in the province – the first time that this sentiment has emerged. This is a significant indicator of underlying forces that, in aggregate, are stressing the agriculture sector.

It should be noted that supply managed sectors in the agriculture industry have considerable domestic market control to mitigate farm-gate pressures for those farmers producing under quota. As well, weather related challenges – while always real and present – have (at least so far) not been as significantly detrimental to Canadian production. Finally, the exchange rate of the Canadian dollar relative to the American dollar represents a significant advantage for export producing sectors that are not regulated under supply management. In short, economic pressures are not as severe here in Canada – but – there is real anxiety about the future

and any significant downward shift in commodity prices and/or an upward shift in the exchange rate would turn these worries into significant, and perhaps existential, challenges.

REGULATIONS AND CHANGING POLICY TOWARDS AGRICULTURE – A CHANGING RELATIONSHIP WITH FARMERS

As previously mentioned, the European Green Deal (aimed at making the bloc climate-neutral by 2050) has brought into effect new expectations for farmers focused on changing production practices in an effort to bring about significant reductions in Greenhouse Gas emissions. The EU’s “[farm to fork](#)” strategy includes halving pesticides by 2030, cutting fertilizer use by 20%, devoting more land to non-agricultural use and doubling organic production to 25% of all EU farmland. Many farmers see these policies as unfair and unrealistic. Other changes have been more country specific, with Germany proposing to phase out tax breaks on agricultural diesel and the Netherlands introducing requirements to reduce nitrogen emissions.

In Canada, evolving consumer demands and government policies (particularly with respect to environmental sustainability) are putting additional pressures on sector business models. Climate policy related to Agriculture has recently centred on the Carbon Tax debate ([bill C-234](#)). For many farmers, this represents a prime example of the disconnected conversation between the sector (too much pressure on the bottom-line in a globally competitive environment) and the government (climate change is an existential and moral imperative).

Such changes have an impact on the bottom line in terms of increased costs, and at least necessitate significant changes to farm level business models. This is particularly challenging when the current business models are under such significant external pressures. A while back we [wrote](#) about the acute disagreement between the government and the sector around an announced commitment to lower nitrous oxide emissions from agriculture fertilizer. The continued clash between the sector and the

government on the best paths to sustainability are problematic and point to a need for more sophisticated engagement and collaborative policy development.

CULTURE AND POLITICAL CLIMATE

It may seem obvious to say, but Europe is different than Canada in its history, geography and political traditions. And the ongoing experiment that is the European Union can make our confederation seem relatively simple, (note: it's not).

But, for us, there is more going on than meets the eye to the current “farm” protests.

Europe has seen a more pronounced emergence of reactionary politics than Canada has to-date. We have seen countries, like the [Netherlands](#), electing reactionary governments. We are also witnessing a remarkable rise in nationalist parties in for example [France](#) and [Germany](#) that represents a repudiation of the kind of liberal global elite structure that has defined much of the last several decades. (While the UK is perhaps a counter-factual to the last point – it's worth noting the presumed Prime Minister in waiting, Sir Keir Starmer, has recently [backed off](#) previous commitments for aggressive climate action. And of course, don't forget Brexit which was perhaps a precursor to the broader reaction against the European trajectory). In short, the political climate in Europe is decidedly volatile and perhaps prime territory for concerted Russian disinformation activity to throw even more fuel onto the fire.

While Canada has a decidedly different political culture than say France, the farm protests in Germany and the Netherlands suggest that the underlying pressures driving these actions are beyond recognizable political traditions. Neither are we immune to foreign [disinformation activity](#) – with purpose or [otherwise](#).

And it's not as if Canada has never seen such protests. Some of us bear the metaphorical scars of the mid-2000's farm protests in the aftermath of

the BSE border closure and prolonged grain price depressions. Coincidentally, those protests coincided with the end of the Liberal Paul Martin government.

THE BOTTOM LINE

Like it or not, 'Agriculture and Food' is big business. It is somewhat ironic that the drive for efficiencies of scale underlying this global trend is in large part a response to the competing demands from consumers for affordable food that meets sustainability and other consumer preferences. Look for example at the capital-intensive sectors like greenhouse and pork that are highly efficient and leaders in sustainability - it takes savvy business minds, innovative business models and a sophisticated capacity to manage massive risks to meet these consumer preferences at a price point that remains competitive.

As previously noted, much of the Canadian agriculture sector is dependent on competing in a global market and subject to price and currency fluctuations and input costs. The sector accepts these risks, but will strongly resist costs and regulations imposed by government that put Canadian agriculture at a disadvantage to the market.

The agricultural sector is somewhat notorious for being overly pessimistic about the state of things. And so, it is sometimes difficult to separate the standard “noise” from real and pressing concerns. What the European experience tells us is that if/when revenue (prices) takes a hit, the seething fears and anger (fueled by online misinformation and tribal hostility) bubbling away below the surface could very much boil over and create the kinds of scenes now happening in Europe, right here at home.

The future of the sector is very much in our hands - but charting a course will require more engagement, better collaboration and an acknowledgment that everyone at the table is committed to the same outcome. We can, and must, collectively do better.