

FARM NEWS

## Vertical Integration . . . A Threat or a Blessing?

**J. E. W.**  
One of the most "controversial" topics at farm meetings in recent months has been that of Vertical Integration, or as it is commonly called Contract Farming. The panel discussion at the recent annual meeting of the Halton Soil and Crop Improvement Association was no exception. The topic under discussion was "The Status of the Family Farm in 1968," but once the panel members and the audience got their teeth into the subject of Vertical Integration it was with difficulty that the panel moderator, J. E. Whitelock, steered the discussion to other factors which have a bearing on the status of the family farm ten years hence.

**Not New**

Contract farming, as pointed out by Dr. Harvey Caldwell of the Department of Farm Economics at the Ontario Agricultural College, is not something which is new. It has been going on for a long time—canning crop contracts, sugar beet contracts, steer feeding contracts, and as a matter of fact, milk marketing agreements around our large urban centres, and even the negotiating type of marketing plans or schemes under the Ontario Farm Products Marketing Act, all come under the term of Contract Farming.

Vertical integration is a bit different from those mentioned, in that it links together all the various interlocking steps from production to processing and marketing. It was pointed out in the panel discussion that the broiler industry is one of the best illustrations of Vertical Integration, in that there, normally, the hatcheryman, the feed dealer, the broiler producer, the processor and frequently the chain store operator, are all linked or integrated together in the one operation.

Some folks look on this type of integration as a policy which threatens to destroy the foundation of our Agricultural economy and rural society. To others, it is a logical fulfillment of the industrial revolution in Agriculture which commenced when machines first replaced muscle on the farm.

**Advantages**

The panel members agreed that Vertical Integration has much to commend it—in short, it does enable the producer with limited capital and credit and in particular the "beginning farmer," to secure the necessary credit to operate a business with some volume and thereby make a living. It also enables the producer to be sure of a market for his produce, which is a must for the new operator. Along with this, it enables the producer to know in advance, the price he will receive—in some cases it enables the operator to secure better technical advice on control of disease, on feeding and on general management—it also frequently brings with it a book-keeping service, which in this day and age, is so essential. Further, the other links in the integration share the risk with the primary producer. From the standpoint of other links in the chain, Vertical Integration in connection with broiler production enables the hatcheryman and the feed dealer to plan their production with more assurance—the processor too, can be assured of an adequate supply to keep his assembly line operated at close to capacity at all times.

Last but by no means least, Vertical Integration along with better nutrition, antibiotics and better feed conversion, has materially reduced costs of production.

**Disadvantages**

On the other hand, the discussion revealed that the producer did forfeit some freedom when he entered into Vertical Integration—that while it gave more security, it also meant that under favorable conditions, he secured a smaller profit, and further, that while it did provide credit, it normally was an expensive form of credit. Panel member Reford Gardhouse while admitting that in a county like Halton it was difficult for a young or beginning farmer to secure enough capital or credit to set himself up in a sound farming business, nevertheless in so far as Vertical Integration and wanted nothing to do with it. Incidentally, this statement appeared to meet with general approval from the audience.

**Should Be Co-Operative**

Charles Munro of Embro, along with Roy Coulter, stressed the danger of farm operators losing control of their product unless Vertical Integration is practiced co-operatively. The panel members agreed, that it would be disastrous for agriculture, should other links in the integration get control away from the primary producer. We were interested to learn from one practicing integrator following the meeting, that he blames certain chain stores for the present depressed price of broiler chickens. As we interpreted his statement it was a situation which had reacted to the detriment of the producer, the processor and also the hatch-

Hog Marketing Plan remains in effect, all hogs must be marketed on the open market, and consequently no processor can get control of the product.

**Milk Pooling System**  
W. E. Breckon prophesied that the next ten years would see all milk in the province marketed under a pooling system. In short, as we interpreted Mr. Breckon's remarks, the milk producer irrespective of his location and where his product now goes, would be paid for a percentage of his production at Butter Fat price; a percentage perhaps at Cheese or Milk Powder price; and a percentage at fluid milk price. Naturally this could only apply where and when all milk is of equal quality. Such a policy would not be popular to those who now enjoy a fluid milk market for their product, and admittedly it does cost more to produce milk for the urban centres than it does in the case of those who ship their product to a creamery, cheese factory or condensory.

On the other hand one has to admit that it does seem a bit unfair on the face of it, that one operator should have the advantage of a fluid milk market, while his neighbour across the road who recently started farming for himself, must be content to ship his product to a creamery. There are a lot of "kinks" to be worked out but we are inclined to agree with Mr. Breckon that whether we in this area like it or not, a pooling system for milk, will eventually be inevitable.

**Summary**

In the final analysis, it was the opinion of the panel members that in 1968, Ontario would still be a province of family farms and perhaps Vertical Integration would help in retaining the family farm unit.

It was also their opinion that farm units would continue to increase in size—to what extent is a matter particularly in size or volume of business.

And finally, that in practicing vertical integration, the producer should study carefully the various contracts offered to make sure he is not going to lose control of his product.

In writing this article we trust we have not misquoted any of the panel members nor misinterpreted their statements. In an article of this length it is impossible to do justice to the comments and statements of the five panel members, Messrs. W. E. Breckon, A. R. Coulter, Reford Gardhouse, Dr. H. Caldwell, and Charles G. Munro—but perhaps we have written sufficient to indicate why the Halton Soil and Crop Annual continues to be one of the most popular farm meetings held annually in this county.

A man who knows his own imperfections is just about as perfect as it is possible for anyone to be.



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### THE CHARTERED BANKS SERVING YOUR COMMUNITY

### LEGION NOTES

By Leslie M. Clark



One week from Thursday is the annual meeting of the Branch at which the financial statement for the past year will be presented. It is hoped that a large number will be present, as this is an important meeting. Just because the year has been a successful one, is no reason for members to be complacent. Your presence will help immensely, so try to be on hand. On Sunday, January 25th, the annual election will be held and it is hoped each member will be there for that occasion, too. It is one of some importance to all members, and each member would be well advised to be present. A good turnout is indicative of the interest shown in your branch, so be on hand for this all important meeting.

The boys really did it in Acton

last Saturday when they won all the bowling honours in the zone. Georgetown branch not only captured high singles and high triple, but won the team championship and their second team were runners up.

High single was won by Archie Pollock with 286; Harv Chappel bowled 823 to take high triple and the team that won first prize had on its roster: Scotty Patterson, Gord King, Chubby Stapleton, Nick Brown, Herb Arnold and Harv Chappel.

Others bowling on our teams included Norm McDonald, Lorne Cross, Earl Emond, Ormie Carter, Shel Lawr, Dick Fullerton, Jim Yates, and Archie Pollock. There were a number of others too, but unfortunately we didn't get their names in time to appear in this column. We have the right number of names to make up the teams alright, but our sub-reporter, had inadvertently placed his own name on the list several times. . . . just to be sure we didn't miss him, we presume! Who was it? The same chap who photographer Don Ryder had to wait on while he went to the powder room to

comb his curly black locks, so he could have his picture taken, or at least that's what Chub tells us, and we all know Chub wouldn't exaggerate about friend John! So, boys, we'd like to congratulate the boys on their terrific win, we're trying to get the picture for this column and for the Legionary, so members keep your eyes peeled, you'll never see a more self satisfied group of Branch 120's in print in your life!

The Imperials had a grand party last Thursday evening according to all reports. Unfortunately, we had to decline, due to a pressing job elsewhere, that couldn't wait. However, it's the first one we've ever missed, and understand that it was tops. There was quite a large crowd present.

The auxiliary of the Branch is holding their elections tomorrow night for this year's officers.

Don't forget our own election on Sunday, January 25th. This is a "must" for all members.

### + KID HOCKEY +

The schedule for next Saturday kid hockey is as follows:

**JUNIOR A**  
7:00 a.m.—St. Kitts vs. Mar.  
7:30-8:00—Barrie vs. Guelph  
8:00-8:30—St. Mikes vs. Peterboro'

**AMERICAN LEAGUE**  
8:30-9:00—Springfield vs. Cleve.  
9:00-9:30—Buffalo vs. Cincinnati  
9:30-10:00—Rochester vs. Provid.  
10:00-10:30—Hershey vs. Pittsburgh

**N.H.L.**  
10:45-11:30—Toronto vs. New York  
11:30-12:15—Montreal vs. Detroit  
12:15-1:00—Chicago vs. Boston  
Results for last week were—

**NHL**  
Boston 6—Chicago 0  
Montreal 2—Detroit 1  
Toronto 1—New York 1

**JUNIOR A**  
Marlboroughs 1—Guelph 0  
Barrie 0—St. Mikes 1  
St. Kitts 3—Peterborough 2

**AMERICAN LEAGUE**  
Springfield 1—Rochester 1  
Buffalo 2—Cleveland 3  
Hershey 1—Pittsburgh 0  
Cincinnati 0—Providence 5

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