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SESSIONAL PAPER NO. 1
(Second Session, 1968)

FEASIBILITY OF A FLOOR PRICE ON WILD FUR

DISPOSITION

Tabled	To Committee	Accepted as Read	Accepted as Amended	Deferred (to Session)	Rejected	Noted not Considered

Feasibility of a Floor Price on Wild Fur

In previous sessions, Council has expressed interest in the establishment of a basic floor price on wild fur as a means of assisting trappers who depend largely or entirely on trapping for cash income. In response to Council's request that a paper outlining ways and means of establishing such a floor price be prepared, the Northern Administration Branch of the Department of Indian Affairs and Northern Development undertook a thorough study and submitted the following report.

For the majority of trappers, income from fur is small and there is little opportunity to supplement earnings by wage employment. This submarginal economy is also subject to fluctuations in the price at which various species of fur can be sold and in the quantity of fur that can be trapped. In addition, the following problems must be considered:

- (a) The best assessment of the future of the fur industry is that the value of raw wild furs will probably decline dollarwise and certainly in comparison with the value of other basic consumer commodities. Hence the problem is primarily one of a declining industry, at least in relation to other areas of production, and not only a matter of coping with periodic fluctuations in price and volume of fur.
- (b) Unless the present number of N.W.T. residents depending on fur as their primary source of income can be reduced substantially thereby increasing the individual catch, there appears to be no realistic prospect that the average trapper can obtain a reasonable income from fur alone even if a substantial subsidy were provided to increase the dollar value of wild fur.
- (c) Because of Canadian dependence on free access to foreign markets for natural fur, a proposal to subsidize the production of wild fur in the N.W.T. cannot be considered in isolation. The Department of Agriculture is very concerned that the introduction of a support price or subsidy payment anywhere in Canada would interrupt the free access of Canadian fur to the United States market. This could only result in still lower prices for the whole of the Canadian fur industry.
- (d) The greatest benefit of a floor price policy would go to the best trappers who least need help, and such a policy could encourage more persons to trap.

Background

In 1966-67, the total value of furs sold by trappers and hunters in the Northwest Territories (including sealskins) was \$1,374,000. This was divided among some 3,780 persons, which would mean an average of about \$360 each. For many, the only other important source of cash income would be Family Allowance payments, which in many cases would be greater than the income from fur. However, it is estimated that not more than about 3,000 of the 3,780 were full-time trappers; a possible distribution of these would be 260 Metis, 1,160 Indians and 1,580 Eskimos.

Another analysis of the economic status of N.W.T. hunters and trappers was provided in recommendation to Council No. 9, 2nd session, 1966, where it was stated that of the 3,647 holders of General Hunting Licences in 1963-64, some 481 (or 13%) had full-time employment or owned their own businesses, but 2,108 holders (58%) had no additional earned income at all. About 590 (16%) were able to earn up to \$500 by seasonal employment, 220 (6%) earned from \$500 to \$1,000 per year and the remaining 248 (7%) succeeded in making more than \$1,000 a year by various means other than trapping.

This analysis probably still gives a valid picture of the relative distribution of income among trappers.

Fur sales in the Northwest Territories in 1966-67, at \$1,374,000, were only slightly below the average of the four years, 1963-64 to 1966-67:

<u>Year</u>	<u>Value of Fur Sold</u>
1966-67	\$1,374,000
1965-66	1,152,000
1964-65	1,536,000
1963-64	1,855,000

In general, the total dollar value of wild fur from the N.W.T. since 1945 has remained fairly constant while most other staple commodities have shown constant dollar inflation. Even the recent short period of high prices for sealskins (not classed as a fur) was brought to an abrupt end by events which demonstrated all too clearly the relationship between foreign demand and the sale price of sealskins or fur from the Territories.

Beyond demonstrating the dependence of fur prices on current, and mainly foreign, consumer demand, the main fact established by the foregoing is that the average cash income of individual full-time trappers and hunters, even in a good year such as 1963-64, was slightly less than \$600 a year. Although certain individuals earned excellent incomes from hunting and trapping, there were very many trappers whose income from fur was well below the average figure of \$600.

In addition to the problem of low prices, it would appear that the number of hunters and trappers is excessive in terms of the wild fur available to them in the less remote areas in which they are willing to trap. This condition is aggravated by the changing way of life in the North which is tying trappers even more closely to settlements and giving an uneven distribution of trappers to available fur areas. While the trapper is normally engaged in his occupation for about six months each year, the statistics demonstrate that the majority are not able to obtain any significant wage employment when they are not on the trapline. This is particularly true in the more isolated settlements and for older residents with limited skills and work experience.

As a result, a group of people are locked into a low income occupation in the midst of a rapidly changing society which places increasing emphasis on wage employment. They are unable to purchase their main consumer needs by cash payment.

It is now rare to find a steady job in wage employment in the N.W.T. that does not pay at least \$4,000 a year. The great disparity between average income from trapping and even the lower paid steady jobs is all too obvious. It is also obvious that the trappers' low income is not going to be rescued in the long run by subsidizing the market price for fur which would have to increase on the average by almost 700% to be competitive with even the lower paid steady jobs as a source of income. The economics of the fur industry are changing and it must be recognized that competition from synthetic furs is increasing rapidly and will be an even greater threat to prices for natural fur.

Feasibility of a Floor Price for Furs

With the discouraging long-term market outlook for natural fur, it is apparent that the introduction of a floor price for wild fur would not solve the basic problem of a very low cash income for full-time trappers in the Northwest Territories. Some of the results of such a policy would be:

- (a) Although a floor price would result in an immediate increase in average income from fur trapping, this increase would be most significant in the incomes of the more successful trappers who are not the object of the proposal. Marginal trappers would gain only to a limited degree. Only by establishing support prices at an unrealistically high level, could incomes of marginal trappers be increased to any significant amount. If this were done, it would certainly result in serious problems for the Canadian fur industry, of which the industry in the N.W.T. forms only about 10%.
- (b) With increased employment opportunities (Great Slave Lake Railway, mines, etc.), higher fur prices

would tend to hold trappers and possibly attract others into an increasingly uneconomic vocation. Admittedly, few alternatives are now open to some trappers because of the scarcity of employment opportunities in their areas and because of their age, lack of education and training. However, increasing numbers of young people are receiving education and training which will fit them for a variety of occupations. It would be a mistake to introduce a policy that might encourage them to enter an occupation which cannot adequately support those already engaged in it.

- (c) The history of floor prices established in other areas of our economic life over the past few decades has not been a resoundingly happy one. Although usually initiated as temporary measures to deal with unusual economic problems, floor price subsidies have proven extraordinarily difficult to terminate and have served only to perpetuate uneconomic employment.
- (d) In all areas where floor prices or other forms of subsidy have been applied they have been limited to no more than a small percentage of the gross value of the product. A floor price which resulted in adding 10% or even 20% to the value of furs to the N.W.T. trappers would do very little indeed to solve their problems.

Conclusion

From the foregoing, it must be concluded:

1. That the problem of very low cash income for full-time trappers and hunters in the Northwest Territories demands priority attention;
2. That an acceptable solution to the problem must be designed to:
 - (a) maximize the cash return from all fur that full-time trappers can obtain,
 - (b) increase the volume of fur available to full-time trappers as opposed to persons with an alternative source of income,
 - (c) concentrate the application of financial assistance toward those who because of location, age or experience, are now locked into trapping and hunting as a way of life, and avoid giving encouragement to others capable of an alternative vocation;
3. That a floor price for wild fur does not meet the basic requirements of "2" above and is not recommended;
4. That any worthwhile measures to achieve the principles described in "2" above must provide control over both the utilization of fur resources available in the N.W.T. and over the residents allowed to harvest these resources.

Recommendations

After reviewing several approaches to a solution of the problems described in this paper, the Northern Administration Branch recommends that the best and most enduring results could be achieved through the implementation of the new licensing system for hunting and trapping as prepared in recommendation to Council No. 9, 2nd session, 1966, together with an accelerated trappers' assistance program constructed on the principles outlined in recommendation to Council No. 3, 2nd session, 1966. The Branch recommends that the trappers' assistance program as described in the latter paper be expanded to provide increased financial assistance to needy trappers in the form of trapping equipment, grubstakes, assisted travel to trapping areas, etc.,

without repayment or with partial repayment as considered advisable in the interest of enabling trappers to obtain an economic catch of fur. It is also recommended that trapper education through the schools as described in the same paper (recommendation to Council No. 3) should emphasize the improvement in trapping management and procedures, and only in a very selective way should it encourage young people to look toward hunting and trapping as a full-time vocation.

Obviously, this type of program requires constant reshaping and attitude in decision-making because circumstances will undoubtedly change from year to year. This competence should be available within the Department of Industry and Development of the Territorial Government because it must be expected that a significant number of residents of the Territories will continue to depend upon fur for the foreseeable future. The guiding principle must be to give advantage and financial assistance to full-time hunters and trappers who have no other source of income and no alternative way of life.