

# Wheat board changes in offing

## Lack of strategic assets renders CWB unviable

By Murray Fulton and Richard Gray

Following is the opinion of the writers, professors of agricultural economics at the University of Saskatchewan.

The federal government recently has released its task force report on how the Canadian Wheat Board could be restructured to provide freedom of marketing choice for farmers while, in the minister's words, "ensuring a strong, viable, voluntary CWB."

Though the task force report insists a new wheat board "needs to have a high probability of success," the proposed changes would not allow the CWB to survive commercially.

The report calls for the elimination of the current CWB and the creation of CWB II, which would be owned by farmers through a co-operative or corporate structure, would compete with the other grain companies in an open market, and would be allowed to acquire assets. But there is no business case for a viable CWB II. It would be unable to obtain the strategic assets necessary to compete.

To function effectively, CWB II would require a way to get grain from farmers on the Prairies to the customers it lines up. It would also require in-depth customer knowledge, a loyal producer base and unique products and services. Despite the report's assertions, none of these assets would be available to CWB II.

There are at least four reasons for this.

First, without grain handling facilities, particularly port facilities, the CWB II would be completely reliant on the existing grain companies to handle its grain.

The board would be unable to provide guarantees to customers since the existing companies would much rather handle the grain for themselves than the CWB II. And purchasing key facilities from the existing companies is not going to happen, since these players have no interest in allowing a viable CWB II to enter the market.

Second, the report argues that the current CWB's customer knowledge is an asset that would be retained under CWB II. This argument is faulty.

Once it is clear the CWB is being restructured, existing grain companies will hire the key sales and logistics people away from the board to have the expertise they require to operate in the new

market. Unless the sales staff is indentured to the CWB — which, of course, it is not — CWB II will not retain special advantages in this area.

Third, a large, loyal producer base is not a given. The requirement to purchase shares means that a cost-free option to participate in a CWB-like structure would no longer exist. The Saskatchewan Wheat Pool found out that changing structure and refocusing its business resulted in a sharp reduction in producer loyalty. A similar reaction can be expected to the change proposed for the CWB.

Fourth, the task force suggests CWB II can serve producers better than its competitors by offering pooled contracts and helping buyers with new products. But if producers and customers want these services, surely the CWB II's competitors can use the same strategies.

Moreover, pooling is virtually impossible to operate in an open market. This is why there are no pools in the grain sector in the U.S. and why we do not see pooled contracts in canola. (Some will argue that the Ontario Wheat Producers' Marketing Board operates wheat pools, but these pools account for less than five per cent of total grain sales.)

Since CWB II will have no significant strategic assets, it will not be commercially viable. Given the expectation that it will not be viable, farmers will have no incentive to purchase shares and, as a consequence, CWB II is unlikely even to get established. Thus, the only marketing choice that a farmer will have is, "To which private multinational grain company should I sell?"

The government's announcement that it will hold a plebiscite on barley marketing in 2007 is welcome news for those producers who feared the government would ignore the Canadian Wheat Board Act and move unilaterally to end the CWB. But with the failure to develop a plan for a viable CWB, the task force has clarified the question being voted on — a vote for marketing choice for wheat and barley will be a decision to end the CWB.

It is time for choice proponents to be forthright and cease using "marketing choice" and "viable CWB" in the same sentence.

A paper further detailing the arguments presented above will be released on November 14 and will be available at [www.kis.usask.ca](http://www.kis.usask.ca).



Fulton



Gray

## Collectivization expensive lesson for Prairie farmers

By Rolf Penner

Following is the opinion of the writer, a Manitoba farmer and the Agricultural Policy Fellow for the Frontier Centre for Public Policy.

Does the Canadian Wheat Board really put more cash into farmers' pockets? Before jumping to that conclusion, people should look at independent studies on the subject or, better yet, at prices offered in the northern states.

They would find that not only is their assumption wrong but that, overall, the wheat board extracts tremendous costs from producers.

The gold standard for CWB studies, done 10 years ago by agricultural economists Colin Carter and Al Loynes, found no evidence of price premiums but many net costs associated with the current system. It's not surprising, since the majority of Canadian wheat goes into markets where price is more important than quality.

Carter and Loynes tallied up the hidden costs of administration, protein giveaways, extra handling charges, demurrage, delays in payment and other costs associated with the CWB system. Their study showed net costs of \$26.15 per tonne of wheat for farmers and another \$5.50 for taxpayers. For barley, their conservative cost estimate was \$28.50 per tonne for producers and \$9 for taxpayers.

They also noted that the 1989 removal of oats from single-desk sales translated into higher farmgate prices relative to world markets, and marketing costs dropping by about one-third.

A George Morris Centre study in 2002, which confirmed farmers would see lower costs and higher returns in a marketing choice environment, went on to project greater investments in value-added processing and a "significant" increase in new jobs. During the 1990s, such investments in the West lagged Ontario by a full two-thirds, it noted, and overall investment in the U.S. was almost double that of all of Canada.

The study said the reverse is true in adding value to oilseeds, which are not under the CWB blanket. During the same timeframe, Canada grew at 16 per cent a year while the Americans grew by four per cent only.

"Overall, the costs to producers and to the grains-based value-added industry outweigh any benefits of the CWB's monopoly," the report concluded.

In addition, a 2004 Sparks Companies' study on barley showed that if barley marketing were unimpeded, "substantial opportunities" for the industry would open up in Western Canada. Its conclusion, too, was that the CWB does not bring value to the barley sector but exacts a "significant cost in lost opportunities, high administrative costs and poor marketing results."

As with the George Morris study, the Sparks report points to a substantial investment in malting facilities in the U.S. northern tier states. In recent years, they saw \$400 million invested in increased malting capacity, even though building in Canada would have conferred a price advantage of \$35 to \$40 a tonne. The reason is that in the U.S. maltsters can source directly from producers.

All this confirms spot-price comparisons farmers do regularly. Thanks to the Internet, these real-world, real-time, real-price comparisons can be done in minutes. Numerous producers also have gone across the border with samples and verified these values. In every Prairie province, they find that northern U.S. prices on offer are better by at least \$19 a tonne for spring wheat, and up to \$44 better (sometimes more) for winter wheat.

In an Oct. 31 presentation to the Commons standing committee on agriculture and agri-food, R. M. A. Loynes testified: "In my experience and view, the evidence from cross-border comparisons, including many of the on-spot sampling experiences by individual producers, is robust and credible. These results agree with most of the studies that have been done, they agree with analysis I have been involved in, and they isolate from the propaganda coming from both sides of the issue."

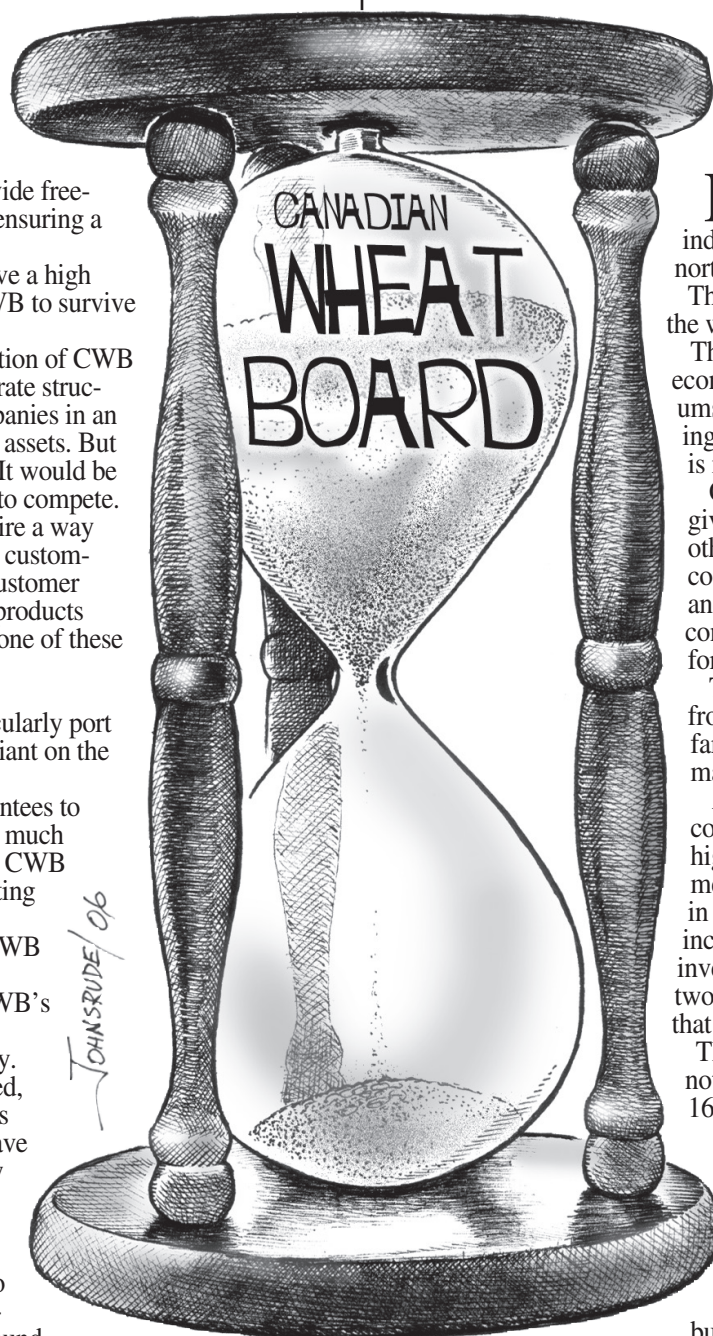
Supporters of the CWB monopoly insist their model of forced collectivization trumps the principles of individual freedom and private property rights because it makes farmers more money. Yet, for more than 50 years they have failed to present evidence to back up the claim. The best they have to offer are board-sponsored studies that don't go back to the farmgate, list benefits but not costs, and use "secret" data sets no one is allowed to verify.

They all resound with the hollow platitude, "You just have to trust us."

There may be a place in life for faith, but this isn't it.



Penner



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## LETTERS TO THE EDITOR

### Gov't move signal to farmers on rethinking grain for export

This is not a letter regarding changes to the Canadian Wheat Board. It's one regarding the reality of marketing western Canadian grain into the export market.

The dramatic and tragic loss of thousands of western grain farmers should have convinced us long ago that something is drastically wrong. These farmers realized that they could not continue the production of grain at a loss and they simply gave up.

Why can't we forget about growing grain for export and rethink what grain farmers can produce? They can produce huge volumes of grain that can be converted into energy — energy that can be sold at a profit into a worldwide market. This can be done here on the prairies and a whole new industry will develop.

Other countries have seen the necessity of change and are rapidly developing their ethanol and bio-diesel capacity.

The federal government under Prime Minister Harper is trying to send a message to western grain farmers: "Let us help you change from a subsidized export-oriented industry into a new era of grain production that will give you a fair and economic return."

I'm sure that it is the fervent hope by every grain farmer in Western Canada that this change will happen in time to save a magnificent Canadian resource.

James Finley  
Saskatoon

### Needs of Canadian farmers must trump U.S. interests

Recent reports that U.S. trade officials are praising plans to end the single desk marketing function of the Canadian Wheat Board exposes the real reason of why the CWB is being destroyed systematically by the Harper government.

The open market global approach of the U.S. cannot tolerate an orderly marketing agency run by farmers that actually protects the interests of producers.

Ironically, although it preaches an open grains market, the U.S. massively subsidizes its farm

industry. This has resulted in Canadian farmers and agricultural producers throughout the world having their markets undermined by subsidized American products.

It's time for Prime Minister Stephen Harper and his ministers to stand up for Canadian farmers, and not the corporate agribusiness interests of the United States.

Don Kossick  
Saskatoon

### Conservative move to change wheat board anti-democratic

As an urban voter in the last federal election, was your primary concern getting rid of the Canadian Wheat Board or was it the arrogance and scandals of the Liberal party?

Stephen Harper's Conservative government thinks you voted to get rid of the CWB and is dismantling the only semblance of collective bargaining that I have as a farmer.

Producers elect the CWB's board of directors and historically have elected supporters of single-desk selling.

While campaigning, Conservatives stressed the importance of democracy and fairness. But Prime Minister Stephen Harper and Agriculture Minister Chuck Strahl now refuse to give producers the right to vote on how we sell our grain. Canadians are fighting in Afghanistan for democracy, yet our own government denies us that privilege.

As well as denying us a vote, Strahl has banned the CWB from sharing any information it has on the benefits of single-desk selling. CWB opponents, however, have unlimited opportunity to voice their views.

Strahl convened a meeting in Saskatoon in July, to which he initially invited only CWB opponents. When he appointed a task force to look at CWB marketing, all its members were board opponents. How surprising that task force's report calls to dissolve the current CWB!

Almost all sectors of the workforce have the right to bargain collectively for the return on their labour, but that right is about to be taken from me as a farmer.

The government claims I need the freedom to choose. What freedom do I have in dealing with the Cargills, Continentals and the Dreyfusses that control the grain trade? I wonder if this is the payoff multi-national grain companies get for supporting the Conservatives.

If they can remove my right to bargain collectively, are you next? Think about it.

Gordon Taylor  
Landis

### Unscientific rhetoric of Fox doesn't help stem cell debate

Actor Michael J. Fox weighing in on the stem cell debate by using his celebrity status to influence society presents an interesting dilemma. Should a celebrity be allowed to sway society without presenting all the facts in issues vitally important to society?

Stem cell research holds great promise. As we know, stem cells are the basic building blocks for the cellular development of our bodies.

Stem cell research basically is about two types of research — adult and embryonic stem cells. The controversy involves the use of embryonic cells because it destroys the embryo, whereas adult stem cells pose no threat to embryos.

Adult stem cells hold great promise. Studies indicate these cells may have great versatility in making breakthroughs in research. Some early successes include, cancers, auto-immune diseases, cardiovascular treatment and other areas.

Science, research, and ethics must play vital roles in the way we approach this subject, not simply some celebrity spouting rhetoric that is scientifically unbalanced.

Clifford Pyle  
Saskatoon

### Dixie Chicks fans in Saskatoon benefit from U.S. McCarthyism

I have never understood the appeal of country music; however, the persecution of the Dixie Chicks is not right. Lead singer Natalie Maines said in 2003 that she was ashamed President George Bush is from Texas — comments that were deemed

unpopular. In a knee-jerk response, radio started to ban their music from the airwaves, and the band was attacked in the press. Not much has changed in three years.

While the Dixie Chicks' new album is at the top of the Billboard charts, poor ticket sales in U.S. markets forced them to reorganize tour dates and add more shows in Canada. Obviously, all is not forgiven in the U.S.

The Dixies channelled this unpopularity not only into a new CD but a documentary as well. Shut Up and Sing debuted at the Toronto Film Festival last year to tremendous praise; however, controversy has erupted again.

While they attempted to market the documentary in America for a fall release, media are refusing to run ads for it. What is most scary, though, is the McCarthy-style tactics being used to blacklist the group. The Dixie Chicks are being forced to fight a new witch hunt.

Canada and the U.S. have a great tradition of free speech. We have the choice to buy the Dixies' CDs if we want, change the channel if we don't like their songs or not go to their concerts. But when corporations decide to take that choice away from us, we all lose.

Too many good people died trying to make sure that speech remains free for all. People here bought tickets to the Dixie Chicks because they like the music. Our gain, America's loss.

Todd Devonshire  
Saskatoon

### Harsher sentence warranted

After reading about the recent court case of the person found guilty of driving while intoxicated and causing the death of a young woman, I went online to do some research as to what is happening in other parts of Canada on sentencing.

Imagine my surprise when I read that the Criminal Code was changed in June 2000 to make impaired driving causing death punishable with a maximum penalty of life imprisonment.

So what is all this nonsense about a three- to six-year sentence?

Connie Abrook  
Saskatoon