CISION

Wheat Oats & Barley (Winnipeg, MB)

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CWB UPDATE

Guess who's coming to dinner?

Inclusive forum on CWB would be messier than holidays with the in-laws

BY RICHARD KAMCHEN

It'll take more than letters to the North Pole or lingering Christmastime goodwill to bring all the grain grower groups together for constructive discussions over the future of the Canadian Wheat Board.

Various leaders predicted something akin to bedlam if so many divergent thinkers came to the same table.

"There is such a pre-considered party line on either side, no constructive dialogue appears to be possible, as they all go from ready to shoot without any aiming," said Alberta Barley Commission CEO Mike Leslie, who called such a potential meeting "tantamount to fisticuffs."

The commission and wheat board collaborate on a number of research projects for the improvement of Canadian barley and its markets.

"Neither side of the debate will move from a hard position, even though it would be in everyone's interests to explore alternative outcomes for the betterment of everyone, such as is done in Royal Dutch Shell," said Leslie. "RDS probably has a global warming plan, a new ice age plan, a cold fusion comes true plan, Middle East stops selling oil plan, etc., etc. So if and when one scenario comes to be, they can move quicker than their rivals, who need to start the analysis when the issue is already here."

Grain Growers of Canada executive director Richard Phillips questioned the value in having all the groups in one room.

"The farm groups can get together but even today, if you have groups like the National Farmers Union on one side and some of the wheat and barley groups on the other side, nothing will ever be accomplished at a meeting like that,

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because the groups are too diverse and have quite strong opinions. And the NFU has a position of no compromise: it's either their way or the highway."

"I suppose there's chances for anything, but there's such a divergence of viewpoints that it would be interesting who could moderate that," NFU president Terry Boehm added.

Ian Wishart, president of the Keystone Agricultural Producers, is all for such a meeting, but seems mindful of the possibility of overwhelming friction.

"As long as the producers benefit in the end, we're always interested in that. As long as the issue isn't just about attacking each other, as long as it's a constructive process, we want to be a part of it," he said. "You do get into some arguments, particularly as it relates to the wheat board — are you doing better with or better without? And that's one that's very hard to resolve, because any time you look at it you can get a difference of opinion."

Wishart noted that even some members of KAP are divided over the CWB issue, a matter that has proven extremely polarizing across the Prairies. As such, it often leads to debate that isn't overly constructive.

"We feel that if you're going to criticize, you'd better have an alternative. And sometimes that doesn't occur with other groups, on either side of the argument," Wishart said.

Blair Rutter, executive director of the Western Canadian Wheat Growers Association, believes that as long as there's no movement in providing greater marketing freedom, there will be no progress.

"We would argue that the Wheat Board is putting itself in peril if it remains intransigent and insistent on a monopoly — all or nothing. But if you had people in there that were willing to make some accommodation and start moving toward giving some farmers some flexibility, then that would bode well for its long-term future. So it's those that support the monopoly that are really putting the wheat board at risk."

Grain-farmer groups are solidly entrenched in their positions, with some calling for the CWB's single-desk selling powers to remain intact, others preferring gradual changes that would give farmers the choice to market on their own, and then those who'd rather the agency was simply bulldozed and eliminated altogether.

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"Where do you find middle ground in that discussion?" asked Phillips, who added: "Personally I see a lot of middle ground, because... even the people who want choice want a strong wheat board. So the challenge becomes how can you have a strong wheat board, and yet let some of the farmers out who want to market their own grain and take their own risks and manage things themselves?"

Canadian Federation of Agriculture president Laurent Pellerin said if farmers desire change, then all the arguments must be brought to the table — not just want could be gained, but also what might be lost.

"If we want to have an open discussion with everything on the table, make sure that we have an intelligent discussion — people from universities, not just right-wing people coming from the Fraser Institute and people like that who think that dismantling everything in our society is good. You can't say that when you are supported by big companies and investors, the Loblaws or Cargills or that type of big company that wants to dismantle everything.... They want to make more profit and control more of the market."

TO REFORM OR NOT TO REFORM

Rutter and Phillips say the CWB has made little progress in the last decade or so.

"It's offered new pricing options, but it certainly has not provided farmers with the opportunity to market their own grain on their own, except in the case with organic," Rutter said. "The buyback they get, it basically amounts to an administration fee, and if that's what it takes, we'd accept that. If we had the opportunity to pay that administration fee, that would go 90 per cent of the way to solving the problem; not entirely, but then farmers would be virtually free to market their own grain."

Phillips believes there are options open to the CWB that would allow it to open marketing to producers without damaging its integrity, such as in the case of containerized, specialized end-use shipments.

"If some farmer winds up with a very identity-preserved program from his own farm and grows only a specific variety... there may be a sale the wheat board wouldn't be filling anyway because it's a smaller niche market," Phillips said. "I think if the wheat board was to be more proactive in looking at some of these smaller options, at least to see how they work, perhaps there's ways to let off some of the pressure from the people who want to market their own grain without materially affecting the strength of their monopoly marketing. And I think there's numerous smaller options that could be looked at in here.... Maybe it's a cap on tonnage. Maybe allow five per cent of the crop out of the pool every year, and first come, first serve."

Rutter also favours a phase-in approach, much like what occured with the Ontario Wheat Board.

"It started off with a progression, with the first year 10 per cent marketed outside the board, and then they gradually increased that to the point where farmers can now market through the Ontario Wheat Board or on their own. There's certainly a precedent set of making a phase-in approach," Rutter said.

Boehm, however, noted Ontario's wheat industry is far different from Western Canada's, especially considering it grows a different variety and in much smaller quantities. Moreover, his feeling was that the benefits of opening that market have been overstated by some.

"The Ontario Wheat Board experience, where's the positive experience in that? There's a couple of things that are unique to Ontario. Largely, a lot of the wheat that is consumed is internally in the province. And what they do export, they largely export to their immediate neighbours to the south,"

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Boehm explained. "The amount of cereal grain production in Western Canada is such a volume that the U.S. market isn't going to absorb it, and if Canadians attempted to move it all through the U.S., either they'd discount the hell out of it, or there'd be such a hue and cry of protest from American farmers that there would be border controls imposed. So I don't think you can draw any parallel to the Ontario Wheat Board experience."

The massive western Canadian wheat volumes are such that a great deal of it must be exported to buyers around the world. Boehm lauded the CWB's expertise in this area, in particular its ability to deal with foreign exchange and currency fluctuations, creating and maintaining relationships with international customers, and meeting their exacting delivery requirements.

If the CWB were no longer the single-desk seller, he wondered where that would leave farmers.

"Who would we be marketing to ultimately?" Boehm asked. "Especially since a lot of our production would have to go to export, we'd be marketing to multinational grain companies.... And certainly this ability that the board has to command a premium, they would take over that ability to command a premium with Canadian grains, but I'm quite certain (those premiums) wouldn't get returned to Canadian farmers."

Pellerin says an agency like the CWB is needed now more than ever given the consolidation of the grain trade. At the time the

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CWB was instituted, farmers felt powerless against the grain companies and export traders, and needed to collaborate to bolster their bargaining power. Since then, the giants farmers faced have grown.

"We are no more in a real open system — we are in an oligopic system where a couple of big buyers control the market. So it's not bad to have a body working for farmers and bring back some income to them," Pellerin said. "We completely support the idea that one by one, if we try to negotiate with those players, we are dead."

From his observations, the dismantling of collective marketing systems in other countries only benefited one side, and it wasn't farmers or consumers.

"If you want an open market to function, you need many, many buyers and many, many sellers. And it no longer exists in farming commodities, anywhere in the developed countries," Pellerin said.

Those who champion change have also argued the limitations of the CWB on the domestic scene.

The Western Barley Growers Association, Phillips, and Rutter believed the CWB has acted as a barrier to value-added processing.

"The malt industry needs the freedom to deal directly with malt barley producers. Is it time for market choice? To build a strong and competitive domestic malt industry, the WBGA says yes," the association said in a recent news release.

"I think there's over a million tonnes of malt expansion planned in the world right now, and not one single tonne of it is in Canada, and we're one of the major malt exporters," said Phillips. "The maltsters want to be able to contract with the farmers, they want to negotiate the price... (right now) they have no surety of price. The wheat board, their mandate is to extract whatever premium they

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can get out of the maltsters. And the maltster's going, 'Well, why would we build here then?'"

"There's five pasta plants in North Dakota, and you're hard pressed to find one in Western Canada," said Rutter. "And in Great Falls, (Montana), there's a new malt barley plant there. So the investment is happening south of the border, and we feel that a lot of that investment should be happening north of the border."

Rutter emphasized that greater domestic processing would lessen Western Canada's reliance on export markets, and thereby make farmers less vulnerable to rail or port disruptions, and barriers to trade.

Boehm said the argument that the CWB impedes value-added has been made many times and has been disproven. Moreover, if the creation of value-added enterprises is dependent upon minimum prices, that hardly helps farmers' profits, he maintained.

But Phillips said value-added plants can provide other benefits to rural communities: "It's more than getting the extra few cents a bushel there; it's about rural jobs and keeping youth (there). So it's the development and job opportunities that (farmers) look at as well."

The issue most farmers can agree on, it seems, is that whatever does happen to the CWB, farmers should decide.

"We have fears that the decision will be made at the world trade talks, at the ministerial level there, because the brackets have been taken off the protection of state trading enterprises, and that would mean the elimination of the Wheat Board by 2013," said Greg Marshall, president of the Agricultural Producers Association of Saskatchewan. "And we're very upset by that, because why should that decision be made at the world trade talks? Why should other countries dictate what we do here? It certainly shouldn't be traded away by our government."

Neither did Marshall believe Ottawa should make the decision by itself, especially when all farmers didn't agree with the Conservative party's goal to dismantle the CWB's single-desk powers.

"We have a problem when politics go into wheat board," added Pellerin, who said all CWB directors need to be chosen by farmers and that government appointments must be abolished.

Boehm painted a gloomy picture for producers if the wheat board was dismantled as the present federal government seems intent on.

"What will come of that in my mind is lost income to farmers and even further distress in the countryside."

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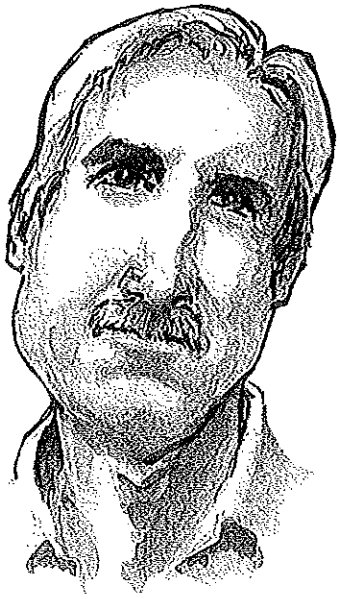

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