

The Canadian Wheat Board



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CWB mandate and governance

The Canadian Wheat Board (CWB) is a farmer-controlled, commercial marketing organization that sells branded, quality western Canadian wheat and barley both domestically and internationally. It exists to serve the needs of 75,000 western Canadian farmers, with a sole mission to maximize their returns from the sale of their grain.

The CWB is run by farmers, through a 15-member, farmer-controlled board of directors. Ten of these board members are elected directly by farmers and serve four-year terms. Four directors bring expertise and experience in governance, finance and marketing to the board, and are appointed by the federal government. The President and CEO is selected by the board of directors. The CWB is accountable to western Canadian farmers and meeting their needs is its sole focus.

The CWB operates independently of the Canadian government. It is the preferred marketing system of western Canadian farmers. In all CWB director elections to date, farmers have demonstrated their support for the single desk by electing a majority of representatives who share that view. Seventy-five per cent of western Canadian farmers support the CWB. It is farmers' strongly held view that it should be up to them to select the type of marketing system they use.

CWB operations and the role of the CWB the Canadian grain trade

With headquarters in Winnipeg, Manitoba and satellite offices in Vancouver, Beijing and Tokyo, the CWB's annual operating costs average \$60 million, which are paid entirely by western Canadian farmers. The CWB sells 18 to 24 million tonnes of western Canadian wheat and barley each year to more than 70 countries. All sales revenue, less operating costs, is returned directly to farmers.

The CWB does not control production, handling or processing of grains. Western Canadian farmers decide what to grow based on market indicators. Western Canadian farmers are entirely market-oriented because they are not insulated from global market prices by a buffer of government subsidies. This means that Canadian farmers are influenced by global market prices when they make their production decisions for all crops. It is western Canadian farmers who decide what crops to seed.

The CWB helps coordinate the transportation of wheat and barley grown on the Prairies from country elevator to port locations up to 1 900 km away by railcars, but does not own or operate any railways. CWB market-development work helps it to determine customer needs and allows the CWB to advise farmers which varieties are most likely to generate higher returns for them.

Defining characteristics of the CWB

The CWB's effectiveness on farmers' behalf is based on its unique structure, defined by three fundamental factors: single-desk selling, price pooling and branding.

1. *Single-desk selling*

The CWB is the sole marketer of western Canadian wheat, durum and barley sold for domestic human consumption and for export. The single-desk system provides farmers with more bargaining power when negotiating with grain buyers and key service providers, including railways and grain handlers. This system also allows the CWB to market western Canadian grain as a branded, premium product to world markets and to pass back to farmers the full value of their grain. This has positioned the CWB as a reliable marketer that provides quality, consistency and excellent service to its customers.

2. *Pooling*

All returns, less marketing costs, are paid to farmers via four pool accounts for wheat, durum, malting barley and feed barley. The cooperative price pooling payment system:

- Helps farmers manage uncertainty over timing of sales, by selling throughout the year. Farmers benefit equally, regardless of when or where grain is sold.
- Spreads the costs of marketing, delivery and distribution over the entire volume of sales.

Pooling is a legitimate commercial practice used by numerous companies including agricultural cooperatives.

Farmers have other marketing choices available to them. Producer Payment Options (PPOs) enable farmers to lock in prices based on futures markets. These options provide farmers the opportunity to manage their own marketing risks, if they so choose. As a pilot program for the 2005-06 crop year, the CWB will be offering farmers a daily price contract, whereby farmers can price their wheat based on U.S. elevator cash prices.

3. *Branding*

As the sole seller of western Canadian wheat and barley, the CWB markets wheat as a differentiated, branded product. Canadian wheat is a strong and stable brand. Around the world, millers, bakers, brewers and other food processors proudly tell their customers that their products contain Canadian wheat and barley. Our grain is now synonymous with "quality", "consistency" and "value" – it is a recognized, accepted and trusted brand. The CWB uses its brand to leverage this reputation and to extract additional value from the marketplace for western Canadian farmers.

CWB transparency

The CWB is a transparent and accountable marketing organization. Each year it publicizes anticipated pool returns and final sales returns in its annual report and provides farmers with weekly weather and price information, which is available over our Web site at www.cwb.ca. The special audit report, undertaken by Canada's Office of the Auditor General and released in 2002, concluded that CWB operations are effective and economical.

Figures published in the CWB annual report go well beyond what private companies choose to provide. CWB reports provide assurances of accountability to the farmers that the CWB represents.

The CWB in the global market

Wheat prices are not set by the CWB, but are influenced by global market factors. The CWB's effect on global prices is modest, given its relatively small size in the international agricultural market, which is dominated by vertically integrated multinational corporations, as illustrated in the following table:

Company	Sales/Income - 2003
Cargill Inc.	\$59.9 billion US
Archer Daniels Midland Co.	\$30.7 billion US
Bunge Limited	\$22.2 billion US
Louis Dreyfus Group	\$20.0 billion US
ConAgra Foods	\$19.8 billion US
The Canadian Wheat Board	\$ 2.2 billion US

**sources: annual reports and company Web sites*

The WTO framework agreement and the CWB

- Canada has made significant concessions on state trading enterprises (STEs) in the framework agreement. The concessions are much more specific than those made by other countries. The CWB is considered, because of its legislated single-desk selling authority, to be an exporting STE even though it is controlled by farmers, not government.
- If a WTO agreement is ultimately reached, the so-called “trade-distorting practices” of STEs will be eliminated, including export subsidies (which Canada does not have), government financing and the underwriting of losses. For the CWB, this means the loss of government guarantees on payments and borrowings, which are extremely valuable to farmers. It should be noted that these are domestic support measures. Domestic support is not being eliminated in other countries, only reduced.
- Additional language on STEs, which states that the future use of monopoly powers will be subject to further negotiations, is of great concern to western Canadian farmers, as the single desk is the key tool that allows the CWB to add value to farmers. However, this language clearly refers to the future use of monopoly powers and not the existence of monopoly powers.
- Monopoly powers (or the single desk) are a competition issue. WTO members have specifically decided not to negotiate competition issues in the Doha round.
- The WTO negotiations on agriculture are intended to target trade distortions. The CWB single desk does not distort trade. In fact, it has been repeatedly shown that the CWB single desk meets all criteria for fair trade, most recently in a 2004 WTO wheat panel ruling. The U.S. had the opportunity to launch its strongest case through the WTO dispute settlement mechanism. The U.S. allegations regarding the CWB were unequivocally rejected by both the Panel and the Appellate Body.

- Given the elimination of the CWB's guarantees, it would be unacceptable for farmers if domestic support for grain farmers in the U.S. and EU is not reduced substantially.
- Given that the CWB does not distort international trade, western Canadian farmers should have the right to choose the marketing system that suits them best. This should not be an issue decided by Canada's wheat competitors.

***note:** all monetary values in Canadian dollars unless otherwise indicated.

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