

*Ottawa's proposed CWB reform is not economically viable Edmonton Journal (Alberta) November 15, 2006  
Wednesday*

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**November 15, 2006** Wednesday  
Final Edition

**SECTION:** IDEAS; Pg. A17

**LENGTH:** 715 words

**HEADLINE:** Ottawa's proposed CWB reform is not economically viable

**BYLINE:** Murray Fulton and Richard Gray, Freelance

**BODY:**

The federal government has recently released its task force report on how the **Canadian Wheat Board** (CWB) could be restructured to provide freedom of marketing choice for farmers while, in the Agriculture

Minister Chuck **Strahl's** words, "ensuring a strong, viable, voluntary CWB."

Though the task force report insists a new CWB "needs to have a high probability of success," the proposed changes to the CWB would not allow it 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 of getting 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 assertions made in the report, 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 CWB would be unable to provide guarantees to customers since the existing companies would much rather handle the grain themselves than for 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 that the CWB is being restructured, the existing grain companies will hire the key sales and logistics people away from the CWB in order 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 -- the CWB 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 in it and, as a consequence, CWB II is unlikely to even 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 CWB 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.

Murray Fulton and Richard Gray are professors of agricultural economics at the University of Saskatchewan. A paper detailing the arguments presented above is available at [www.kis.usask.ca](http://www.kis.usask.ca)

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*Task force lays out transition plan; Government study foresees farmer-owned firm within two years The  
Globe and Mail (Canada) October 31, 2006 Tuesday*

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The **Globe and Mail** (Canada)

**October 31, 2006 Tuesday**

**SECTION:** NATIONAL NEWS; Pg. A16

**LENGTH:** 572 words

**HEADLINE:** Task force lays out transition plan;  
Government study foresees farmer-owned firm within two years

**BYLINE:** JOE FRIESEN

**DATELINE:** WINNIPEG

**BODY:**

The **Canadian Wheat Board** would become a farmer-owned grain company within two years under recommendations released by a government task force yesterday.

The report sets out a four-stage transition plan that would transform the Wheat Board from the monopoly seller of Canadian wheat and barley to one company among many in an open market.

Federal Agriculture Minister Chuck Strahl said the report provides a comprehensive model for a new entity, labelled **Canadian Wheat Board II**, to thrive in a competitive environment.

Ken Ritter, a farmer and elected chair of the Wheat Board, said the report badly misreads farmers' views. "In my judgment, farmers want a **Canadian Wheat Board**. They want an entity that represents them and is able to speak out for them on trade issues," he said.

The Conservatives pledged before January's election to move toward an open market for wheat, while ensuring a "strong and viable" wheat board. Mr. Ritter said this report doesn't meet that promise.

"The entity that they're trying to create wouldn't be strong and viable. There isn't room for another small grain company on the Canadian Prairies. What they're describing is not realistic," he said.

Opposition critics called the report an ideologically driven sham.

"This task force is nothing short of an absolute and complete farce," Liberal agriculture critic Wayne Easter

said.

"All that producers will have at the end of the day is another grain company. It's not another grain company that producers need, they need some market power."

The task force was made up of six well-known opponents of the Wheat Board, and one member of the Department of Agriculture. The board was asked to join the task force, but declined.

The largest farm organizations in Manitoba and Saskatchewan have demanded the government hold a plebiscite among farmers, which they say is a legal requirement for changing the Wheat Board's mandate. The task force made no mention of a plebiscite, but recommended that the government put a bill before Parliament to repeal the **Canadian Wheat Board Act** and create a new act to replace it. The market for barley would be opened by the end of January, 2008, and the market for wheat would be opened by the end of July, 2008.

New Democratic MP Pat Martin said it's unlikely such a bill would get through the current House of Commons.


"I'm not sure how to read the timing recommendations of this report. It almost implies that they're going to wait for a majority government," Mr. Martin said.

It's an issue that could play a major role in the next election. Almost every seat in the wheat belt is held by a Conservative, but in the rural areas of Manitoba and Saskatchewan, this is the only issue on voters' minds, Mr. Martin said, and it could cost the Conservatives a few seats.

Mr. Strahl said he will bring the report to caucus this week, and it will decide how the government should proceed. He said the report isn't quite a road map for change, but provides a basis for discussion. He hasn't ruled out the possibility of holding a plebiscite, he added.

"Over the next couple of months there's going to be a lot of debate on this report, and with that kind of input we'll have to chart an action plan going forward this winter," he said.

He couldn't say whether there would be public hearings on the issue, but said MPs are already getting a great deal of advice from constituents on both sides of the debate.

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*End Wheat Board monopoly: report: Opposition says author was biased from the start National Post (f/k/a The Financial Post) (Canada) October 31, 2006 Tuesday*

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**October 31, 2006 Tuesday**  
West Edition

**SECTION:** NEWS; Pg. A1

**LENGTH:** 700 words

**HEADLINE:** End Wheat Board monopoly: report: Opposition says author was biased from the start

**BYLINE:** Paul Vieira; with files from Paul Samyn, National Post, with files from Winnipeg Free Press

**DATELINE:** OTTAWA

**BODY:**

OTTAWA - The **Canadian Wheat Board's** monopoly over grain and barley selling should be revoked and replaced with a new arrangement starting in January, 2008, says a report commissioned by the federal Conservative government.

But political critics and agricultural economists panned the findings of the task force, which was established on Sept. 19 to look into how to give the country's wheat and barley farmers more choice in marketing their products.

Now, farmers are compelled to sell their grain to the farmer co-operative, which then markets the products on their behalf. The Conservative government pledged during the election to allow Prairie farmers to sell grain to whomever they wish.

The main finding from the seven-member panel is to strip the wheat board of its monopoly powers and convert the body into a for-profit company owned by farmers. "A [new] CWB that is owned by farmers can create value for them by buying and selling their grain, serving its customers and reducing supply chain costs," the report advised. "The task force recommends that the CWB prepare a business plan for marketing choice as soon as possible."

Under the timeline envisaged by the task force, a new bill to create a for-profit wheat board and allow for choice in marketing would be passed by June, 2007. Afterward, the wheat board's monopoly power on barley marketing would end by January, 2008, and wheat marketing by August, 2008.

The **Canadian Wheat Board** is one of the largest sellers of wheat and barley in the world with annual sales approaching \$6-billion.

Ken Ritter, the Saskatchewan grain farmer who chairs the board, said the Tory government should reject the report findings.

He added if farmers want to change the wheat board mandate, they are free to pursue changes through a plebiscite, as outlined in legislation governing the wheat board.

After reviewing the report and its vision of a remodeled wheat board, Richard Gray, an agricultural economist at the University of Saskatchewan, said he was unimpressed.

"The task force was given impossible terms of reference, which was to create a voluntary wheat board with no special authorities under which the board would have a high probability of survival," Mr. Gray said.

Mr. Gray said historical evidence suggests conversions of pricing co-operatives, such as the wheat board, to for-profit outfits do not succeed. He cited the Saskatchewan Wheat Pool, whose conversion wiped out millions in valuation and forced it into a restructuring.

Under the task force plan, the new wheat board would be left with \$110-million in assets in the form of popper cars and office supplies.

It would have very few assets in an industry with multinationals that own billions in assets," he said. "So I don't see how the wheat board can take this good will they have created in the past and parlay that into a real advantage."

Opposition politicians, meanwhile, vowed to fight the government should it push ahead with the task force recommendations.

"These guys have absolutely dropped the gauntlet on the Prairies and the push back will be enormous,"

said Pat Martin, New Democratic MP for Winnipeg Centre. "The government has a real fight on its hands and we are going to go down swinging on this one."

Wayne Easter, the Liberal agriculture critic, said the task force was dominated by wheat board opponents.

"The task force was clearly stacked with one conclusion in mind," he said. "The report has no credibility. This is the government bulldozing ahead with its own ideology and disregarding the farmers' voice."

The federal Minister of Agriculture, Chuck Strahl, said he would study the recommendations and noted he was not bound by them.

Mr. Strahl said he looked forward to sharing the report with farmers and making good on the Tory election vow.

"Canada's new government is committed to marketing choice for farmers and we are also committed to a strong voluntary wheat board, something that farmers want and something that this side of the House is very determined to make happen," he told the Commons yesterday.

As part of that vow, Mr. Strahl has already secured a Cabinet order banning the board from spending money advocating for the retention of its marketing monopoly.

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