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31 (1105)

[*English*]

**The Chair (Mr. Gerry Ritz (Battlefords—Lloydminster, CPC)):**

Good morning ladies and gentlemen. Welcome to our 26<sup>th</sup> meeting. We're here to discuss the Task Force Report on Implementing Marketing Choice for Wheat and Barley.

With us today, from the Department of Agriculture and Agri-Food, we have Howard Migie, Director General, Strategic Policy Branch. Welcome, Howard; from Grain Vision, Manitoba, we have Paul Orsak, chair; and from Weyburn Inland Terminal Ltd. we have Rob Davies, chief executive officer. Thank you, gentlemen, for appearing with us today.

We have time for a presentation, of course, and then we'll open the floor to questions.

Mr. Migie.

**Mr. Howard Migie (Director General, Strategic Policy Branch, Department of Agriculture and Agri-Food):** Thank you very much, Mr. Chair.

We appreciate the opportunity to come before you today, particularly as chair of the Task Force on Implementing Marketing Choice for Wheat and Barley. In addition to the two members of the task force here, the other members are: Brenda Brindle, Mike Bast, John Groenewegen, and Bruce Johnson.

Our task, Mr. Chair, was to recommend options on how, how best to implement marketing choice. We were asked to identify and propose how to address certain technical issues and transition issues, both for a voluntary Canadian wheat board and, as well, for the Canadian grain industry.

Our report was released on Monday of this week by Minister Strahl.

In the report we used the name CWB 2 as the transformed Canadian Wheat Board, which would be owned by farmers and operated on a voluntary basis, without any government regulatory powers.

Paul Orsak will speak for four minutes or so on the proposed business model for CWB 2 and preparing for change in forming CWB 2, and then Rob Davies will speak again for about four minutes to the launch of CWB 2 with transition measures and how a competitive grain industry would operate with marketing choice, and then we'd be pleased to answer question. So, in total, we think it will be about 10 minutes maximum.

Let me turn it over to Paul to go over the first part of the report.

**Mr. Paul Orsak (Chair, Grain Vision):** Good morning, Mr. Chairman and committee members.

Thank you for the invitation to be part of your deliberations as you discuss very important issues respecting the wheat and barley industry and its implications for farmers and the entire wheat and barley value chain.

The task force recognized early in its deliberations that while the issue of marketing choice is primarily a matter centred on how farmers such as me will market their wheat and barley, it has large implications for the Canadian Wheat Board obviously, but also for the entire value chain. I cannot be presumed that nothing will change except for the farmers or for the Canadian Wheat Board. The task force, by necessity, had to consider how the elimination of the monopoly powers of the Canadian Wheat Board would affect the entire industry.

There will be a number of cause and effect situations that may happen and while it would be foolish to predict how each and every business will react, we did have to consider whether certain business conditions would bring value to farmers and at the same time, would not hamper competition for farmers' grain.

First, some context for our business model. My remarks this morning will centre on perhaps one of the more interesting components of the task force report. Interesting, I think, because farmers, I believe, are genuinely hungry for information about what a new Canadian Wheat Board might look like and how it might operate in a market choice environment. It is important to stress the business model we propose for a new and restructured Canadian Wheat Board is but one option for a new model.

The task force was always cognizant of the need to ensure that our recommendations need not only provide a reasonable probability for a successful launch and a sustainable business model for the new CWB, we had to balance this with the need to ensure that future enhancements to the competitive regime in grain marketing, handling, transporting and processing would still proceed and that we would not see an erosion or flight of capital from the industry. In fact, we believe that creating a climate for even more investment in the industry in all areas is not only healthy for farmers and the industry, but necessary to ensure western Canadian grain industry remains competitive with existing and emerging international competitors.

The task force felt it was important to suggest at least one option even though, as will be obvious from a careful reading of our report, it ultimately must be up to the board and the management of what we call CWB II to consider what its business model and business plan should be. The task force did not want to presume or be too prescriptive about these matters, as ultimately it must be up to the CWB II to position itself and determine what its value proposition will be to competitively and effectively bring value to farmers.

Now I'd like to outline our suggestions for the business model. Our option envisages CWB II as a commercial entity owned and controlled by farmers. The task force believes CWB II can create value for farmers by building on the strengths of the existing Canadian Wheat Board, namely: its strong customer relationships and knowledge of their requirements; its solid reputation for pricing, delivery and contract execution with buyers; the fact that many producers desire to see any new version of the Canadian Wheat Board as a producer-controller grain marketer; and, its experience in operating a pooling system for producers.

Additionally, CWB II could or should develop new, innovative pricing products or new food safety protocols. We believe that it can build on its strengths by reducing supply chain costs through the purchase or contracting of facilities. It could sell some services, such as its transportation and weather expertise. Importantly, it could also market crops other than wheat and barley.

Our option suggests the sale of shares in CWB II. This would clearly enable farmers to see an alignment of their interests with CWB II by investing in it. It is, of course, also a mechanism to provide the company with additional capital. As you will have read, we suggest the shares not be tradable for a two-year period, the first two years.

Clearly, contributing to a high probability of success for CWB II would be the transfer of Canadian Wheat Board assets, adding together the intangible assets I have just referred to and the tangible assets as outlined in the table on pages 6 and 30 of the report would give CWB II a significant start-up benefit.

3 (1110)

Finally, if I can just take a minute more, I would like to give you a perspective that I think you might find interesting. Prior to my work on the task force, my personal belief was that the voluntary CBW would be competitive in the marketplace and that it would do primarily through offering of pooled and cash price options.

I did not force myself into the position of having to think deeply about what the value proposition of CBW2 type of entity would be. I looked more at it from the perspective of a farmer who's natural vantage point is as a supplier/customer. From that vantage point, I currently see a variety of offering from a variety of companies.

Each company has its distinctive characteristics and as a farmer, I fairly easily choose which best matches my needs. The farmer in me assumed and said that another entity in the business with a unique and different approach, would bring value to me both, directly and indirectly as competitive influence improved offering across the board.

I still believe that to be the case. But I felt quite strongly that to be really competitive, a transformed Canadian Wheat Board would have to change its focus to cash price offerings instead of price pooling.

As a result of being forced to think much more deeply about it, along with the benefit of vigorous discussion amongst the task force, I've come to see things slightly different. I believe the CWB2 has an exceptional opportunity to differentiate itself in the marketplace and that a value proposition that includes price pooling as one of its features, could be the underpinning of its success.

To many farmers, me included, the current price pools are relatively unattractive. There's simply too much cost associated with them. However, in a market choice environment, I believe price pooling can be an extremely valuable offering to farmers. A new environment, a new focus brought on by the discipline of a competitive marketplace will mean management of CWB2 would look at things much differently. With a focus on cost containment, without quality over-delivery, with arbitrariness between and pricing between classes, with tighter management of the logistics end and with our focus on risk management, I can get really excited about the possibilities.

In fact, I can easily envision that farmers will eagerly flow a significant portion of their marketable grains including current non-board grains through a pool. It's a matter of price risk management for farmers. As margins tighten and a risk management become much more important to farmers, this has the potential to be truly a unique and important value proposition for CWB2.

Some farmers may elect to put more through the CWB2 than ever before by including other crops. I believe many will commit a significant proportion to CWB2 when it has proven itself capable and professionally managed. Personally, I can foresee myself putting a significant portion of not only wheat production, but now other crops as well into CWB2 pools. I will view it as a highly risk management vehicle with a level of professional management that is currently not easy to access and perhaps beyond my own level.

The best comparison I can think of is the mutual fund industry. Mutual funds are just really investment pools. They are voluntary of course and they compete in a very sophisticated market place. They are growing and thriving as investors commit large portions of their portfolios to them to avail themselves of the professional management they offer. I think there's very little doubt that the competitive nature of the capital markets is what drives value into this kind of investment.

The same, I believe would be true for the operations of price pooling for CWB2 and it would provide a unique and competitive value proposition to farmers. Combined with innovative and farmer-friendly financing instruments, I can get positively excited about the possibility of marketing grains, oilseeds and special crops, price pooled through an entity such as CWB2. I thank you for this opportunity and I give it back to Howard.

8 (1115)

**Mr. Robert Davies (Chief Executive Officer, Weyburn Inland Terminal Ltd.):**  
Good morning, Mr. Chairman and members of the committee. I'll speak to the launch of CWB II and how a competitive grain industry may operate with marketing choice.

The launch of CWB II will require that significant preparation is undertaken by all marketplace participants as there will be changes to many practices that have existed for years across the spectrum of the grain marketing system. Starting with the CWB, they will have time through periods A and B, as outlined in your report, to ensure that they have a business plan in place and that they have the correct staff and skill complement to be successful in the new marketing choice environment.

CWB II will reinvent itself, creating a new vision and some new contacts, designing programs and providing an outline of their value proposition to farmers to move forward with.

Ensuring that systems are in place for CWB II to access financing in the future to allow the continuation of pools to farmers and to access financing for export sales, will require some lead time and some document creation, as well as practical experience in the new operating environment.

The federal government will have a number of transition issues with respect to ensuring that required changes are made through the Canada Grain Act and the Canadian Grain Commission to support the requirements of a change to marketing choice for

prairie wheat and barley growers. The changes required will provide certainty around the question of producer cars and will also provide authority to monitor, investigate, access necessary data, publicly report, assist in dispute resolution and quickly resolve issues, if any, of non-competitive grain handling industry behaviour for both the benefit of producers and the industry.

In addition, the administration of the current cash advance system, which is now administered by the wheat board, would need to be moved to another body.

Finally, the government will need to move forward with measures to enhance rail competition, such as improvements to the shipper protection provisions in the Canada Transportation Act. There were consistent concerns raised about this regarding effective rail competition. These issues were outside the specific mandate of the task force however they are important in ensuring an effective transition to marketing choice. From the commercial industry perspective, we need to be very clear on one point. The marketplace needs certainty through the transition period. Industry will get contracts in place, both privately and at the Winnipeg Commodity Exchange, but certainty of timing is required, and that is part of the lead time provided by the task force recommendation.

New contractual arrangements between industry players will need to be established. This includes port and country terminal operators, exporters and end users such as millers and maltsters, both domestically and internationally.

While these changes will likely result in changes to cropping patterns, it may actually provide for more certainty for farmers and for industry and also give additional ability for Canada to meet the requirements of end-use customers.

Farmer understanding will be a critical component of a successful transition. While farmers currently market some of their production, such as feed grains, oilseeds and special crops, outside the CWB, a shift to marketing choice of previously controlled grains will require new risk management protocols for farmers and they will need to review their sales and marketing strategies to ensure they meet the business needs of their farms in the new marketing choice world.

It's expected that shifts in crop production patterns will occur as the direct impacts of logistics and marketing costs become apparent. This is good for the industry and for farmers long term but there will be a period of adjustment. Grain companies too will need to ensure that sufficient financing is in place and that their farm customers understand the new requirements in the marketing choice world. The current CWB contracts have fairly low levels of enforceability due to the ability of the CWB to market the entire western crop.

Wheat and durum growers will have to contract much more accurately than they were previously required to and this will have collateral impacts on the Canadian grading system as the current grade standards may no longer fit with the requirements of end-use customers for quality specifications.

While the changes required may seem somewhat daunting, the reality is if we want to move to a Canadian grains sector that operates with effective competition in marketing, handling and transportation, that has effective price discovery and hedging mechanisms, and has a strong viable CWB II as an option for farmers, there will be a lot of work required. It should not be expected that this change could be accomplished quickly.

In conclusion, in the package of recommendations provided, the task force sought a balance between giving CWB II financial transition measures and sufficient time to have a high probability of success, while still encouraging existing and new investors to participate in the Canadian grain sector, all within the context of providing farmers with marketing choice.

8 (1120)

The task force believes that if marketing choice is introduced in a careful considered way, but without unnecessary delay, an efficient, effective and competitive grain marketing system will serve grain producers and the overall grain industry in the long term.

Thank you, Mr. Chairman.

**The Chair:** Thank you, gentlemen.

We'll now move to our round of questioning.

You may want to be ready to use your translation. It says English, number one, French, number two, Mr. Easter, number three, so be prepared for that!

Mr. Easter, seven minutes, please.

**Hon. Wayne Easter (Malpeque, Lib.):** Thank you.

Thank you, gentlemen.

There's one thing your report has certainly done, it's certain made the United States grain industry happy, both from the multinational sector and from the producers in the United States. They've been trying to destroy for 11 years the Canadian Wheat Board, and this minister seems to be in one fell swoop going to do the same thing: going to do the U.S. bidding.

In any event, I've seen quite a number of task forces in my time, but I have never seen one such as this, with so little analysis, so little background data, that, obviously, was just working on assumptions before it started, without going out to collect the evidence to make its argument.

Could you, Howard, provide this committee with the following: a complete list of all the meetings held by this task force, the locations of the meetings and a list of attendees; secondly, a list of all the submissions made to the committee, and which were solicited and which were not; thirdly—

**The Chair:** Slow down, Mr. Easter, we need a chance to catch up.

**Hon. Wayne Easter:** Thirdly, a list of any economic evaluations, reports or analysis done by or for the task force. I don't expect you to provide that today, but I do expect you to provide it to the committee.

Now, Mr. Davies, in his last statement there, he quoted from the report, page 8:

The Task Force believes that if marketing choice is introduced in a careful, considered way but without unnecessary delay, an efficient, effective and competitive grain marketing system will serve grain producers, customers and the overall grain industry.

Can you, Mr. Davies, provide to this committee any evidence, studies, analysis or other documentation to support the belief expressed by your comments—and I mean evidence, I mean contract evidence, not suppositions?

**The Chair:** Mr. Davies.

**Mr. Robert Davies:** I certainly I can give that, Mr. Chairman. I guess, by it's very nature, a belief is not necessarily supported by evidence. I think the committee took significant time to review some of the options. We have provided five options, I think, as ways the system could work. Certainly, there's work to be done, and I think we've outlined some of the areas that we'll need to ensure there's a competitive environment going forward, but we clearly had the task of providing the beginning of a how template. That's where we started. I think we've got an excellent start and we've provided some background on the ways the marketplace could function. Certainly, there will be changes.

**The Chair:** Mr. Migie.

**Mr. Howard Migie:** Coming to the first part of the question, the task force was given a particular task. The minister did not request that we look at the question of whether the government should move in a particular direction. The policy direction was given to the task force.

What we were asked to do was to identify and examine a number of either technical issues or transitional issues that should be addressed, and how to address them. It wasn't a question of doing a study on whether or not the CWB, with monopoly powers, is more advantageous or not. Our task was, really, to identify issues. In most cases, people came to us. Any group that came to us, we did meet with. Through our email system, we had 21 people who wrote into us, and we shared that with the group. We had the benefit of that information, those people didn't request to meet with us.



A number of companies—and I can indicate—indicated that they wanted to come forward and provide some information, primarily on transition, where they were concerned about the transition time, and adjustments to it.

We had four meetings, as a group, and at each of those meetings...sorry?

8 (1125)

**Hon. Wayne Easter:** Can you provide that to us? That's what I asked in my question, Howard, that you provide it to us. If it's the case that you were to move just in a policy direction and in Mr. Davies' answer it's clear that you don't have evidence, so then why would you say in the report that you believe? I mean, we're talking about serious consequences here, guys. We're talking about giving up single-desk selling through the Wheat Board which the Wheat Board says, and they sent it into you in the report, the loss to producers will be somewhere between \$530 million and \$655 million annually.

If we lose that single-desk selling, you know, Howard, your credibility's on the line. You've been with Agriculture and Agri-Food Canada since the seventies. Your credibility's on the line here. If we lose the Wheat Board, you know under trade law we can't get it back. This is not about beliefs, this should be about evidence, facts, analysis--that's what it should be about.

**The Chair:** Mr. Migie's just trying to answer your question, Mr. Easter.

**Mr. Howard Migie:** That is a different question than what this group has asked to do. It's very appropriate in my capacity to be assisting the minister and the government to implement the policy--that is really my job. In terms of our particular task, we weren't asked to go examine the various studies.

Now, I can say, looking at those studies, there are studies on both sides of the issue. There have been a tremendous number of studies, a number of them that support and would say that the monopoly powers of the Wheat Board are beneficial, there are other studies that talk about costs, but that wasn't our job at all. We weren't asked to look at that. We weren't asked to deal with that. We had a job of one month to flesh out the option of marketing choice. I think that's what we've done, and that's what we said we did, and we presented one viable model that we think would be a good model to implement marketing choice.

**The Chair:** Twenty seconds, Mr. Easter.

**Hon. Wayne Easter:** In terms of the Wheat Board's presentation that they made to you, they submitted a response to your questions on October 13. Do you then as a task force, or is this another case of no evidence, accept the findings of the Wheat Board with respect to the benefits of the board's activities? You outlined them, you would know those, and they range in benefit between \$530 million to \$655 million annually. Do you dispute those?

**Mr. Howard Migie:** The task force didn't deal with that part of what the Wheat Board provided, because that's not what we asked them to provide. We could have sought views of people of who supports which position and why, but that wasn't our task; it was to look at moving in this direction means what? We asked the Wheat Board a number of questions, and we used the information that they provided to answer the questions. In addition, they chose to provide information which was answering a different question than what we asked, and so we didn't as a group try to determine whether or not we would agree with the numbers that were provided.

**The Chair:** Thank you, Mr. Easter.

Mr. Roy, please.

[*Français*]

**M. Jean-Yves Roy (Haute-Gaspésie—La Mitis—Matane—Matapédia, BQ):** Je vous remercie, monsieur le président.

Je suis d'accord avec M. Easter, et j'ai de la difficulté avec ce que vous nous dites. Vous nous dites: on vous propose un modèle, mais c'est un modèle qu'on nous a demandé de proposer et à la limite on s'en va à l'aveuglette. Vous dites à la page 22 en français dans le rapport: « L'ajustement au libre choix de mode de commercialisation des produits fera des gagnants et des perdants. » Avez-vous évalué qui va être perdant dans ce que vous proposez.

Parlez-moi des perdants que vous supposez après le changement de modèle. J'aimerais savoir qui va être perdant, et dans quelle mesure ces gens auront à souffrir de la décision qui sera prise. On ne peut pas affirmer dans un rapport qu'il va y avoir des perdants si on ne l'a pas évalué. Il me semble que c'est illogique. Je n'affirmerais pas une chose semblable si je ne l'avais pas évaluée.

3 (1130)

[*English*]

**Mr. Howard Migie:** Paul's going to address the question of the adjustment side on winners and losers.

**Mr. Paul Orsak:** Thank you, Mr. Chairman.

My apology if I didn't get all of your question, I was on the wrong channel to start with, but I think I have the gist of what you are asking.

The reference that we made there to winners and losers in a sense was we didn't really direct the comments specifically to a sector, to a company of the entire grain value chain. It's just that when changes are made, adjustments happen, and farmers, grain companies,

and processors, and everybody has to adjust, and there's a re-balance that has to go on and a new equilibrium found in the overall industry. Obviously, the western Canadian grain industry is heavily influenced by the Canadian Wheat Board and its monopoly on wheat and barley, and its heavy, heavy influence in the regulatory regime.

By changing that, sort of by definition, there is going to be a new equilibrium found and it implies in a general sense that there could be some people's--

[*Français*]

**M. Jean-Yves Roy:** Excusez-moi, mais cet équilibre suppose, comme vous le dites, qu'il va y avoir des perdants. Je voudrais savoir, allez-vous évaluer ceux qui seront perdants? Je comprends que vous direz tout changement — cela est une vérité de La Palice — tout changement apportera des modifications, il y aura une fluctuation, etc. C'est cela que je veux savoir, est-ce que cela a été évalué? Avez-vous évalué, même si ce n'était pas votre mandat... Parce que moi, si on me demande un rapport et que j'affirme qu'il y aura des perdants, ou je ne l'affirmerai pas ou j'aurai des preuves et je dirai qui sera perdant. Je trouve cela difficile à justifier qu'on dise qu'il y ait des perdants et que, dans le fond, on ne l'évalue pas, et on ne dise pas qui sera perdant. J'ai de la misère avec cela. Quand je produis un rapport et que je dis qu'il va y avoir des perdants, je les identifie.

[*English*]

**Mr. Howard Migie:**

Perhaps I'll try to answer your question.

We spoke with a number of grain companies who came to see us; some small ones and some large ones. They've all operated with the Canadian Wheat Board system acting as a monopoly for as long as anyone can remember. The Canadian Wheat Board deals with all of them as a group for many things. Because there's a monopoly, they act as a group. In the future, the Wheat Board may be dealing with them individually. Some companies are very well placed to start competing and may do quite well, but some have facilities in Vancouver, some don't. Their concerns are will they have the same access? They'll have to have different arrangements with different companies. The expectation is that there will be change, there will be a different competitive environment.

Some companies might do very well, some might not do so well. We can't, sort of, identify which companies may do quite well and which will not because it will be a significant change for them. They've been operating a certain way, they've had a certain business relationship, and that will no longer be there and they may have to have new relationships. And that's really what is referred to and that why time was important for some.

We met with maltsters who have some concerns about whether they are ready for a different arrangement because they've been operating a certain way and they may need

storage facilities that they don't have. And some were well placed and some were less well placed.

So there's a certain agitation amongst the entities that the Canadian Wheat Board interacts with now, and they will be doing a different interaction, but we can't predict which companies in the end really will do well, it's just there's a worry. Some think they'll do much worse. There's not a unified view that comes from grain companies that says we want the monopoly to end as quickly as possible. It's not the view at all. It's saying that we've operated a certain way, we're comfortable with it, we know where we stand in relation to our competitors, this is a significant change.

[*Français*]

**M. Jean-Yves Roy:** Donc, on s'en va à l'aveuglette. Oui, on s'en va à l'aveuglette. Vous me dites: « je le sais pas, je ne peux pas vous dire quelles sociétés vont en souffrir et je ne peux pas vous dire combien, je ne peux pas vous dire quel sera l'impact du changement ». Vous dites: « on le fera à long terme parce que, justement, il y aura des impacts significatifs ». Cela, c'est un mot — significatif — qui ne veut rien dire. Des impacts importants, je serais d'accord. C'est cela que vous voulez me dire, cela va avoir des impacts importants, des impacts majeurs. Les impacts majeurs vont mettre en péril des sociétés et vont mettre en péril des entreprises. Mais là, vous me dites: « je ne sais pas quel pourcentage ». Moi, je ne proposerais pas quelque chose si je ne connaissais pas les impacts; je m'excuse, mais je ne serais pas capable.

8 (1135)

[*English*]

**Mr. Howard Migie:** What we're proposing is a transition period that allows enough time for the market to adjust. It reminds me, frankly, very much of when I was working on the Free Trade Agreement with the United States. Before it happened, there was a lot of worry and concern about which companies are going to do well, which would not. It certainly didn't turn out. The companies that did well were kind of surprised, people made changes. It was very hard to predict and you can't predict because people will change. The current business strategies that companies have, which is based on the Wheat Board acting with monopoly powers, will change. People will need to do things differently and they have to get their mind around it. And that was really what we were saying, is that that change has to be allowed to occur and we wanted to allow some time to have it done in a reasonable manner.

**The Chair:** Thank you, Mr. Roy.

Just a couple points on something that's gone on so far. Does the market not adjust on an annual or even sooner than that basis depending on how many acres of a certain commodity are grown and what the weather patterns do to that commodity? Is there not a

market adjustment that's ongoing in this sector already, on almost a daily basis if you read the markets?

**Mr. Robert Davies:** Certainly, Mr. Chairman. There's clearly acreage shifts, price shifts, there's a number of reasons why the marketplace moves both from a logistic standpoint to different selling markets, to different sales positions. There's a number of those changes that occurred today.

If I can briefly just touch on the question to predict a future competitive market dynamic. As the CEO of a company I wish I had that ability, I wish we all did. We would understand much more clearly how to set strategy, but the marketplace will develop very clearly. CWB II, as Paul said, we tried to not be prescriptive, because they need to create a business model that provides an effective alternate choice for producers.

One that I think can be very successful from a risk management perspective is pooling holds a lot of appeal to big segment producers. Depending how they implement that market choice, depending who they contract with, depending how all of those things play together, there can be significant opportunities for some small players that on the surface you may say are going to be significantly disadvantaged in the new marketplace, but that's very difficult to predict.

It depends on every individual strategy going forward, it depends on the CWB II strategy, and depends on farmer's uptake and the degree to which they want to be involved with CBCWB II as a risk manager for part of their farm operation. Those moving parts make it very difficult to predict where the wheel will stop, but I think there's significant opportunity, but there clearly is risk, and those are things that we can't identify to balance very well.

**The Chair:** Just my one final point before we move on to Mr. Bezan.

There was a lot of talk about so-called projections of winners and losers in this, and it's hard to ascertain who they are. In a scenario where there's more wheat, barley, and durum making growing because there's a better return on it, could not some of the losers be canola or pulse growers and processors as farmers move to a lower cost input commodity? The cost inputs on wheat or barley are one-third of what it costs me to put pulse or some canolas in the ground. Is that a potential loss?

**Mr. Robert Davies:** I think, Mr. Chairman, that the fundamental change we're going to see, in my view, is a change so that logistics have a bigger impact of the cost of freight, and the cost of moving the marketplace. We have significantly more domestic processing analysis in terms of biofuel or oilseed crushing facilities. Everything moves.

If you look at the Alberta barley market, it moves to freight and it prices to freight. I think we're going to see more of that in special crops and oilseeds. Certainly in the cereal grain business now there's a certain amount of masking that occurs through the Canadian Wheat Board system in terms of freight and getting into effective marketplaces, and I

think that will shift. Again, I think that's very positive for the industry, and it's very positive for farmers. People will grow specific things for specific markets. It's going to be better for us, but it's just going to take a bit of adjustment.

**Mr. Howard Migie:** I'd just like to add one quick comment. It's not a zero sum game, that there's equal winners and losers. Currently, flour millers and grain companies are allowed to operate as a group when dealing with the Wheat Board on a number of things. They can work together and they can negotiate together, talk together, and group together with the Canadian Wheat Board because it has monopoly powers. That will all have to change. They will not be able to, under law, work together. There will be an unleashing of a certain type of competition that by necessity—and when I say creates winners and losers, it's in that sense—the world competition will result in some winners and losers, but it's not a zero sum game. I just wanted to make that clear.

☞ (1140)

**The Chair:** Okay. Good. Thank you.

Mr. Bezan, seven minutes, please.

**Mr. James Bezan (Selkirk—Interlake, CPC):** Thank you, Mr. Chair. I want to thank all you gentlemen for coming in today and making a presentation. I want to thank you for the report.

I think what Mr. Easter was alluding to earlier, that who you listen to, who you took advice from, and who made presentations wasn't your job. Your job was to provide us with some food for thought on transition, and you've done that. I think, as a committee, we have an opportunity to review all of the information that's been presented to committee. The government and the minister definitely has all the different reports out there, the pros and the cons of the Wheat Board, and we're going to make use of all the information out there in making this decision. This is just another part of the information package that's going to be required to move forward on policy development.

I do have some questions about the report in particular that you've prepared. I was quite surprised about having a new Canadian Wheat Board Act, the existing legislation and moving into a new piece of legislation. I'm just wondering, in your vision, does CWB II have regulatory powers that it would require legislation and a government stamp of approval?

**Mr. Howard Migie:** In the current Canadian Wheat Board Act, there is a large amount of government responsibilities and roles, and there's a large amount of regulation. CWB II, at the end of the transition, would not have any regulatory powers at all, and there would be no governmental role. It would really be a type of...the legislative changes would be very significant from within the current act. It was felt that it would be much better to repeal the current act, have the transition measures that move from the current

act to the new act, that you wouldn't have a government function and role, and you wouldn't have any regulatory role in the new act.

**Mr. James Bezan:**

So at the end of the day, after all the transition, there wouldn't be a need for any legislation.

**Mr. Howard Migic:** No, there will be a need for legislation, in the same way that there's an Act of Parliament for the United Grain Growers set up, and there's an Act of Parliament for CN Rail.

There are certain things that would be in there with respect to governance at the end of the day; and there may be certain restrictions that would apply with respect to ownership by farmers, percentages that would be in legislation; and there would be all the transition amounts that would go from the current act to the new act.

There is one technical part which the Wheat Board raised in their presentation which would probably necessitate some measure and that had to do with the borrowings the Canadian Wheat Board have made that go out for 10 years and would be pretty difficult to extinguish now because there would be significant penalties and it would be hard to get people together. So you could deal with that in the legislation.

**Mr. James Bezan:** One of the things you guys did refer to in your legislation was that the task force said that the Wheat Board has a role in research. A lot of producers see it as an organization that has quite a bit of power in advocacy, and especially in international trade matters, and in fighting the United States trade actions in the past.

In other commodities we have check-offs that fund organizations so they can provide research dollars that they are able to provide. I know the cattle industry and the hog industry have, on numerous occasions, faced trade challenges from the United States and have had to fight them at the international trade tribunal level, and at the NAFTA panel level. And those were all funded through check-offs.

Do you see that being a role of CWB II, that possibly they could use a check-off to fund those types of activities?

**Mr. Howard Migic:** The approach that we took is that when the Wheat Board is contributing to research, which they are for some market development activities, CWB II would probably not play the same role because some of these benefit the entire industry. They don't just benefit one player. Even if, in our view, it's going to be a significant player, we're giving three years. We felt the Government of Canada should pick up the cost for three years, in which time those entities will have to work out a different arrangement.

It could be that CWB will be a contributor, but along with others in the industry, whether it's through check-off that is more widespread.... But since the benefits are widespread, it would be unlikely that the CWB II would be providing the same contribution that CWB currently does.

(1145)

**Mr. James Bezan:** Paul, one of the things you were talking about was a voluntary pooling similar to mutual funds and I know I hear from my producers in my area of the world that they do like pooling and they'd like to see voluntary pooling brought in under other commodities, and this is something that the task force considered.

I can visualize in a voluntary wheat board they'd have to go out and sign forward contracts with the people who want forward future-price contracts, or they're going to be selling on the spot.

How would it work in accessing farmers, a year in advance, to come into a pooling system? Do you visualize an opt-in/opt-out, or the producer would sign on the dotted line for so many tons, or how do you visualize this?

**Mr. Paul Orsak:** Mr. Chairman, I think of any number of ways that the CWB II could construct its contractual arrangements with farmers. There are a variety of ways that it could pool. There could be annual pools, there could be shorter pools, they could have two or three pools running simultaneously. So it's almost an infinite number of possibilities that you could consider in terms of pooling.

But I think the significant thing for farmers is going to be that if they want to enter into a pool, the contractual arrangements they will have to enter into with CWB II are going to have to be conventional, commercial-type contracts with perhaps sign-up deadlines, but certainly with consequences, rewards, and penalties for performance and non-performance.

When we've referred to a tighter application of contracting, that's what we mean.

Did that answer your question?

**Mr. James Bezan:** Rob wants to answer now.

**Mr. Robert Davies:** If I could just touch briefly, one of the questions coming into this--and similar to Paul, coming into it I questioned how a pooling system could work--but if you look at it practically, much of the existing crop doesn't get sold until the fall period of the following year, so sort of the August 1 deadline for a crop year-end doesn't have a lot of relevance particularly in a marketing perspective. So I don't think there's a reason people couldn't contract forward on cash contracts, on basis contracts, and on pooling contracts.



My own believe is that there will be some market places--and the durum one might be a specific one--where producers really see value in pooling and they would commit tonnage to that going forward.

I hate to say that shorter or longer pools are all operational detail, but that's what the new CWB II needs to create, which is how it wants to do those. But I think there's value in pooling and I think producers see that as a risk management tool.

So it can work. It's just going to be a different mindset than today.

**The Chair:**

Thank you, Mr. Bezan.

Mr. Atamanenko, seven minutes please.

*[Français]*

**M. Alex Atamanenko (Colombie-Britannique-Southern Interior, NPD):** Bonjour et merci d'être venus.

J'aimerais poursuivre la question de Monsieur Roy, soit celle à propos des perdants. Avant de le faire, j'aimerais poser une question à Monsieur Orsak.

*[English]*

Mr. Orsak, just a quick question for you. Are you still on the board of directors of Agricore United? Do you see this now creating a new competitor for your company and do you see any conflict in this area?

**Mr. Paul Orsak:** Mr. Chairman, actually, thank you for the question because it's an important one that I want to clarify.

First and foremost, I am a member of the board of directors of Agricore United. In Agricore United, which Howard just referred to, our governing act is an act of Parliament that sets out the governance and control of the company. I'm one of twelve out of 15 members of the board of directors who are elected democratically by producers, producer-members of the company. Our membership is defined by a certain amount of business that you do as a company so they're bona fide farmers electing to the board of Agricore United directors to run the company.

In terms of a conflict of interest, when we began our work we very sort of quickly set our advocacy outside the room. When I was in there I really didn't feel that I was advocating on anyone's behalf. We had a specific job to do, with a very well-defined terms of reference. Certainly, my involvement for 20 or 25 years speaks for itself. For years and years I've been advocating to try and help the entire industry to develop a

climate that fosters growth and prosperity. That's the basis of where I came, and certainly, I don't see a conflict of interest. Agricore United will compete vigorously for business of CWB, too.

**Mr. Alex Atamanenko:** Thank you very much.

I'm going to continue what was asked earlier on.

What's happening today has the potential of significant change, not only in the grain industry, and obviously, I think everybody agrees, positively or negatively, in the grain industry, our rural way of life and our country, perhaps, as we know it. In other words, there's nothing short of a revolution, that's what I see in front of me, for lack of a better term. I know that in the past, revolutions, in retrospect, we always say, well, they're could have been a better way of doing this rather than changing it drastically and having thousands and millions of people suffer. Russia is still recovering from the 1917 revolution to put that in context.

My question is, in your opinion, obviously you've been tasked to do this, could there have been a better way to examine the grain industry? Could there have been a better way to involve all players to come up with an evolutionary path, and a fairer way to go than maybe a one-month report and we're not sure how much of a comprehensive, economic analysis is done.

I'll just ask my second question. The other question follows along with my colleague's point. Who is the loser? We've heard that while this company may be a loser, or that company, what about the average grain producer in western Canada, not the person who is right near the border who can farm and does custom farming from somebody else and has access to markets? What about someone near Blaine Lake, for example, where I spent summers as a kid? Let's look at the primary producer. We're all here because the primary producer is our number one focus.

Is he or she going to be the loser and could there have been a better way? See if you have enough time to answer these questions.

3 (1150)

**Mr. Howard Migie:** I'll take the first question.

This is one part of a process. Our task force was given one task, and it's only part of a much broader approach to making a decision. There was a meeting in Saskatoon which was one step, also, in the process. The government has made a policy direction that was clear. It took one step then, this is one step. It is providing some information to people. It's putting flesh on the bones of what marketing choice means and what it does not.

As well. I would certainly expect that there will be opportunities for producers to look at the bigger picture of whether the policy is the right policy or not. Should it move or not? That's the forum where I think it would debate the questions you're asking.

Paul, do you want to comment on the second part?

**Mr. Paul Orsak:** On the question of the winners and losers and farmers and their geographic location and those kinds of...?

We all make adjustments everyday on our farm. I do that. Market events happen all around the world that I have to adjust my business plan to accommodate and to try and shelter my farm business from adverse effects, or position myself for attaining positive effects. Business is a dynamic thing. It's not static. You can't predict it. We don't control it. It's what makes it exciting to be a farmer. So farmers at Blaine Lake will adjust differently than farmers at Estevan will adjust. There's a different dynamic to them. But markets arbitrage and find equilibrium and producers will react accordingly. Again, to summarize here, I thought long and hard before I put my name on the report and before I signed off on it. If I didn't believe that the report was credible and defensible, I wouldn't have signed off on it. And I certainly wouldn't have signed off on it if I thought it was going to have adverse effects on farmers.

**Mr. Alex Atamanenko:** So you feel that this one-month report which proposes a drastic change in the way of life of agricultural producers has looked into all of the future negative effects on the average primary producers? Do you think it has dealt with that?

**Mr. Paul Orsak:** Again, our task force mandate was narrow. It was to answer the technical questions for transition. There's been debate since I was a baby, I think, about the value of single-desk versus the costs that people associate with the marketing. I would say that it's not a revolutionary change. I would say it's not a drastic change. We all face change everyday in our business. It's part of what makes me a farmer. If it was too predictable and too static, I guess I'd be a wage earner.

8 (1155)

**The Chair:** Mr. Davies, have you got a final point on that?

**Mr. Robert Davies:** If I could just speak very quickly to that, the marketplace changes everyday. And it creates winners and losers by the very nature of the marketplace. There have been two canola-crushing plants announced for Yorkton. So for people who are within a freight-effective area of Yorkton, it fundamentally changes the way they farm, the value of their farm, what they will grow going forward, their net economic return. Those things have all changed. The marketplace did that. An ethanol plant will be announced that will create a different marketplace in areas that get drawn to that. Those are just commercial impacts. Wheat Board or no Wheat Board, the value of somebody's farm and the way they do business and how they do business will change. What that does, though, is displace other areas. So in our specific area in southern Saskatchewan, as

people grow less Durham in some other areas because they're not freight effective, it opens the door to a greater Durham marketing opportunity for us.

So it's very difficult to say there will be winners here and losers there. I've been to Blaine Lake as well, and there are some unique marketplace effects in Blaine Lake. Perhaps that will get o more livestock because they're going to be close to an ethanol plant and they'll be able to get distiller's grain to feed their livestock cheaper. It would be incredibly difficult to try and evaluate all of the impacts of the marketplace within this. And you're correct. We created a template to move forward with. But we can't investigate each of those possible impacts.

**The Chair:** Thank you, Mr. Atamanenko.

We'll move to Mr. Steckle for five minutes please.

**Mr. Paul Steckle (Huron—Bruce, Lib.):** Thank you very much, gentlemen, for being here this morning.

I've come to the conclusion that in the absence of evidence, you are working in a bubble of faith. That puts us in that same realm, because we have to accept in faith, I guess, what you've told us. But I have some difficulty understanding how in one month's time, under the mandate you were given--and I have to put some faith in the fact that you guys are experts, at least you were called to be experts--that you have brought together all this knowledge, all this material, and have been able to put together a model for removing yourselves from single-desk selling and putting in place a model for transition, all in one month. Now that's a record. So we'll have to see where the future leads us.

But I really have a problem in understanding how we're going to move these assets which belong to the Government of Canada, and it's now going to become farmer owned. Farmers are broke, we're told, and they're going to now own \$100 million or whatever the assets are. And you expect the government that is now providing credit for the Wheat Board to provide credit to this agency. Does the government have an opportunity to have some representation on this board of directors? You have outlined at \$1 a share up to 2,000 shares, but you haven't indicated whether somebody in Illinois could own those shares also. There's a lot of things I don't know about it. Is this going to be Canadian owned, or is this another subsidiary of Cargill? What are we facing down the road? This is where my faith becomes rather weak.

**Mr. Howard Migie:** Maybe I can start, just to say that it's proposed to start as a 100% Prairie-farmer-owned entity. That's the start and it's that way for at least the first couple of years. Then it would be the board of directors of the day who would have some flexibility, depending on what was put in the legislation, to move partway down the path of being less than 100%. There may be limits that would make sure that it was always a certain percentage, as was done in other instances.

**Mr. Paul Steckle:** How do you come up with \$100 million, if that's what it is?

**Mr. Howard Migie:** Just in terms of assets, if you look at the numbers, you'll see that there's a proposal that roughly a little over \$100 million, that could be supplemented up to \$200 million, be transferred to this entity.

**Mr. Paul Steckle:** Yes, but Canadian taxpayers have paid for that. Why should Quebec taxpayers pay the west?

**Mr. Howard Migie:** If you look carefully at the numbers, that's not the case. There are a lot of assets that we would have in liabilities. The ones that we're proposing to be transferred, whether it's the hopper cars, the building, these over time have been paid for by Prairie farmers as a group. They've contributed to those assets, whether it's been through, in the case of hopper cars, basically a deduction that shows up, in effect, a slightly lower initial payment or final payment system through the years has meant that there's an asset for the cars. The contingency fund was built up a slightly different way, but those are not the Government of Canada.

Where the Government of Canada becomes involved is in the continuation of the borrowing guarantee that we provided now for up to this point, that we would continue it for a period of time to be determined up to a \$200-million limit for operating purposes. It's just for operating credit, and to keep the same situation during the transition period, and then it would be gone after that.

⊙ (1200)

**Mr. Paul Steckle:** Would that be fair for the competition, for the government to guarantee for this wheat board II, and not for other regions?

**Mr. Howard Migie:** That's what we've balanced, that for the period of the transition, that we would continue with providing a guarantee of borrowing, which really means that the wheat board would be getting great interest rates on their borrowings, as they do now, for a period of years, up to \$200 million, which would allow them to cover all their operating for that period of time. We're concerned with both, that there's a balance between giving a high probability that the CWB II would be successful in the marketplace--not a guarantee--but giving it a reasonably high chance of success for all the other people who have made investments in the industry that the Government of Canada is not providing an unfair advantage. We think that we have provided a balance.

**Mr. Paul Steckle:** Not very long ago, we had farmers at this table. The Farmer Rail Car Coalition wanted to buy railway cars and are the same people in many cases who said then that farmers shouldn't own the railway cars. Now these same farmers are saying they should own the wheat board. I mean, there seems to be a bit of something that's gone off the rail here.

**Mr. Howard Migie:** The Government of Canada would take over, basically, the liabilities. The assets that farmers in effect have paid for over the years would be transferred, then we'd put, if you will, in the window two items--one is up to \$75 million,

if needed, that would be transferred to give it a boost, plus there'd be, for a period of transition, the \$200 million of guaranteed borrowings for the purpose of operating. There's no magic to it. It's not the case that somebody may feel that it's more or less. It was our judgment that this was being fair to others in the marketplace, while giving CWB II a pretty good chance of success.

**The Chair:** Thank you, Paul.

Mr. Gourde.

[*Français*]

**M. Jacques Gourde (Lotbinière—Chutes-de-la-Chaudière, PCC):** Je voudrais partager une petite histoire, question de nous remettre en contexte.

La Commission canadienne du blé est, à mon avis, un outil de travail des producteurs agricoles. Mon père et moi avons 44 ans de différence. Souvent, on avait un conflit de génération. On travaillait tous les deux sur la ferme.

Un outil de fanaison devait être remplacé, parce que de nouveaux outils étaient plus rapides et plus performants. Après des négociations qui ont duré entre un et deux ans, mon père s'en va changer cet outil. Lorsqu'il est revenu à la maison, il avait le même outil — celui de l'ancien époque — mais, selon lui, nous allions gagner du temps parce que nous avions deux fois le même outil.

Un an plus tard, j'ai acheté la ferme. La première chose que j'ai faite est d'aller chercher l'outil de la nouvelle génération. Mon père m'a dit qu'il ne l'utiliserait jamais. Par respect pour mon père, j'avais gardé l'ancien outil afin qu'il puisse s'en servir. Le lendemain matin, j'installe mon tracteur sur le nouvel outil et je le laisse faire. Il a pris la peine de l'essayer et il m'a dit: « Garçon, tu avais raison, il faut évoluer. »

Plaçons ce nouvel outil dans un contexte de marchés mondiaux. Les outils de commercialisation de nos concurrents mondiaux — les États-Unis et le Brésil, par exemple — sont-ils plus performant que les nôtres?

Retarde-t-on notre évolution? Cela nuira-t-il aux producteurs canadiens à moyen et à long terme si on n'évolue pas notre outil de commercialisation?

(1205)

[*English*]

**Mr. Paul Orsak:**

Thank you, Mr. Chairman. I think that you make a compelling case for how business needs to evolve and modernize to remain competitive. It's a believe that I share and so

while there may be some resistance to change, I embrace change. It's a balancing act that we each do as individual businessmen. But one thing that I've come to believe as a farmer is that change forces me to focus on my business better and more intently and very often when I'm really fearing the change, once I get through it, I wish it would have happened sooner.

[*Français*]

**M. Jacques Gourde:** Supposons que je suis un producteur de blé biologique destiné à certains marchés et que je connais d'autres producteurs qui ont la même variété de blé que moi. Si nous avons, ensemble, la chance d'obtenir un contrat de 25 000 tonnes avec une minoterie qui a besoin spécifiquement de ce blé — peu importe la minoterie — la Commission canadienne du blé permettra-t-elle aux producteurs d'accéder à ces marchés de valeur ajoutée?

[*English*]

**Mr. Robert Davies:** Certainly the seat of CWB v two would have every opportunity to help those producers, as would many other commercial interests and practically and end user who has a flour mill and wants organic wheat could deal directly with the farmer. There may need to be nobody in the middle of that transaction. So I think if enough producers saw the benefit of having somebody manage that transaction for them, if they saw value, they may pay my company or the Canadian Wheat Board two or anybody who wants to participate in the middle of that transaction. But that's going to become very much value based. There's no reason why the report couldn't be involved in it. There's no reason why they would have to be involved in it, if that answers your question.

**The Chair:** Thank you, Mr. Gourde. Our time has expired, gentlemen. Thank you so much for your presentations here today.

Mr. Easter has a point of order.

**Hon. Wayne Easter:** What about the request for information? Am I going to get the list of witnesses, locations, briefs that were presented? You usually remind the witnesses, Mr. Chair, and I don't want you to forget.

**The Chair:** Well they look very intelligent, so I didn't think they needed to be reminded. But we can certainly do that at this point. You gentlemen took notes. I know Mr. Migie was scrawling in shorthand. Mr. Steckle's faith has run out. That's a tragedy, Paul, I'm sorry to see that. Hang on though, the future looks bright.

Gentlemen, you have a bit of homework to do. If you could get that back to the clerk as quickly as possible, we'll make sure that Mr. Easter gets a copy of all of that. Thank you so much for your work here today. I'm certain that it'll be ongoing. This portion of the meeting will suspend and we'll wait for our witness changeover.

Mr. Atamanenko.

**Mr. Alex Atamanenko:**

Would it be possible for all of the committee to get the same information?

**The Chair:** Yes, it'll come to the clerk. We'll do the translation, gentlemen. Don't worry about that.

7

4

7 (1210)

**The Chair:** Let's call this meeting back to order.

In the second session here, we have with us the Canadian Federation of Agriculture, Bob Friesen. Bob, thank you for coming. From West Central Road and Rail, we have Rob Lobdell, president. And we have as an individual, Mr. Avery Sahl.

Thank you, gentlemen, for joining us here this afternoon.

I have to tell you that when I was coming in, I saw Bob Friesen going through the metal detector. He had his jacket off, and I thought, my God, we're strip-searching farmers again. Thanks for getting through there, Bob. It's great to see you here.

Each of you gentlemen has a presentation. According to my list, we'll start with you, Bob, if you care to.

**Mr. Bob Friesen (President, Canadian Federation of Agriculture):** Thank you very much, Mr. Chair. It is a pleasure for me to be here.

You do have a very brief brief of the presentation that I'm going to be presenting. I won't read that brief, I will relegate my comments to just simply verbal comments.

I would like to start out by applauding the minister and the government for taking a partial step in the right direction, with announcing a plebiscite on barley. I would encourage the government and the minister to continue along that road of leadership, and include wheat in the plebiscite, as well. That's basically what I want to talk about today. I'm not going to talk about the pros and cons of the Canadian Wheat Board, I'm going to talk about the importance of a plebiscite.



Certainly CFA members from across Canada two weeks ago supported the call for a plebiscite because the principle of a plebiscite is very important to them, also, given the fact that in Ontario it was the producers that decided to eliminate the Wheat Board for wheat. In Quebec, they just recently decided on single-desk selling for wheat by producers, as well, following what they've done in the hog industry, as well as in the maple syrup industry, and my understanding is they have it in rabbits now, as well.

But certainly a call for a plebiscite. Then, I also want to talk about the importance of a debate on both sides of the issue, with adequate information to be dispensed so that people can look at this information, discuss the information, and then make a decision.

So why a plebiscite? I've got several reasons why CFA members say it's very important to hold a plebiscite. Number one, of course, is it's written in the act. CFA members feel that if it's written in the act, no other means should be taken or should be used to circumvent what is called for in the act—let's simply do what the act defines we should do and ask farmers what they think should be done.

Secondly, there's a lot of talk about farmer empowerment and empowering farmers in the marketplace, but farmer empowerment is more than just that. Farmer empowerment, we believe, also entails allowing farmers to decide on what marketing system they want to use and what marketing system is best for the collective interests of agriculture.

Thirdly, many farmers have grown to depend on the Wheat Board as a tool that has empowered them in the marketplace, and, given the fact that a decision on the Wheat Board, if it was deregulated, would be irreversible, we feel that's another reason that these farmers need to be in on the decision that is made.

Fourthly, arbitrarily deregulating a marketing structure, we believe sets a very important precedent for any other marketing structures that we have in Canada. Now, I know that the marketing structures, themselves, are very, very different, but the question is the same. Whether it's a provincial government or a federal government that deregulates a marketing structure, it does set an important precedent. Certainly, if a marketing structure is deregulated, that brings us so much closer to either level of government deregulating other marketing structures arbitrarily, as well.

Then, fifthly, it's all about partnership. I believe Minister Strahl said it best in his press release yesterday, when he said that a plebiscite is a very important part of consultation, especially when you dispense all the information needed to make an intelligent decision. This is all about partnership and, again, a plebiscite is an important way to consult with farmers.

But it does depend, then, on whether there's appropriate economic analysis and information out there, and my second and last point deals with why do we need that information out there?

Well, first of all—and I believe it was Mr. Migie that it said earlier—there is a lot of information out there as to what benefits the Canadian Wheat Board accrues back to the primary production centre. There are all kinds of numbers out there. We believe it's important that farmers see all these economic analysis that show how much is accrued back to the farm gate, so that they can look at that and they can determine exactly what the value is of the marketing structure that they have had in the past, and then weigh that with value-added.

We've also heard a lot about value-added. We've heard people say that the Canadian Wheat Board is impeding value-added. CFA members would tell you that, when you compare us with the U.S., the bigger impediment to value-added in Canada is our lack of competitive policy with the U.S., which, of course, as you know, we're currently working on, but certainly it has more to do with the lack of competitive policy than with any marketing structure we have in place.

(1215)

I believe it's very important to put that information out there as well.

Last week when we had the three agricultural ministers here from western Canada there was quite a discussion on value-added. Some of them had numbers to say that value-added has increased more in Canada than it has, say, in the states just across the border. That information, whatever information is right or wrong, that needs to be put out there as well for farmers to have a look at, and then we need to weigh the economic benefit of value-added of whatever the Wheat Board accrues back to the primary production sector, and have farmers have a look at it to make sure, again, that they can make an intelligent decision.

The other point, there's also been a lot of talk that the Canadian Wheat Board could survive in a dual marketing system, and this is where I'm going to be certainly not critical of the minister, but critical of the task force report. I believe the task force report had very little to do with the Canadian Wheat Board under a dual marketing system, it had more to do with how do we start a new grain company. On that, I believe they were very long in rhetoric and very short, again, on economic analysis. This is about starting a new grain company.

If I may be frank, Mr. Chair, it barely passes the laugh test. The fact that we have just recently looked at what used to be three very rich wheat pools in western Canada, and again, because of a lack of competitive policy they have either gone public, they have either gone to partial foreign ownership, and basically the control of these wheat pools, control by farmers has been taken out of their hands. So to be able to say that we could just like that start a new grain company to compete against other multinationals or even the large grain companies that we have in Canada, and the suggestion that \$100 million should do it, when you look at something like Agricore United that has over \$1 billion in capital assets or something like the Wheat Pool that has up to something like \$300 million in capital assets, to start a new grain company and say that it can be successful I

believe needs a heck of a lot more analysis and a much tougher look at it, and especially if you think that these are broke farmers who are supposed to start this new grain company.

So to conclude my comments, Mr. Chair, those are the two points I want to make. Yes, there are arguments on both sides of the issue. Let's put all the adequate information out there that we can possibly get, economic analysis, have farmers look at it, and then have farmers make the decision. We know that there are good arguments on both sides, but the importance here is the information out there. Dispense the information and let farmers decide on a marketing structure so that farmers across Canada who are involved in other marketing structures don't have the fear they might wake up some morning and have their marketing structure deregulated as well.

Thank you very much.

1 (1220)

**The Chair:** Thank you, Mr. Friesen.

Mr. Lobell.

**Mr. Rob Lobell (President, West Central Road and Rail):** Thank you very much.

I had a couple of photos I was hoping to be able to have distributed amongst the members, if that is possible.

I would like to thank you, to begin with, for inviting me to speak to your committee today. Today, I want to talk to you about producer cars, West Central Road and Rail, and the Canadian Wheat Board.

So what are producer cars, and how did they come to be? A producer car is a rail car loaded with a producer's grain, that enables a producer to bypass the primary elevator system and ship the grain direct to destination, typically a port terminal.

How and why the producers get the legislated right to load producer cars? Over a century ago—in the late 1800s to the early 1900s—producers were becoming increasingly discontented with the market power abuses of the grain companies and railways that were working together to dictate when, where and how producers would deliver their grain. At that time, producers were able to influence the government of the day to draft legislation to address the market power and balance that existed. This led to the creation of the Canada Grain Act, which included provision for the right to load producer cars. Producer cars were intended to serve as a competitive safety value for producers. However, even with the legislative right to load producer cars, grain companies and railways quickly found ways to stifle the practical application of that right.

Fast forward to the mid-1990s. For as much as things had changed from the previous century, they remained the same. Once again the railways and grain companies began working together to design a grain handling and transportation system that suited their best interests, at the expense of producers. This exercise by the railways and grain companies became known as “rationalization and consolidation”, which in the vernacular meant branch lines would be ripped and elevators torn down.

Enter West Central Road and Rail, a progressive group of producers in communities, who, in 1997, formed with the objective of retaining rail service to the region. Initially, we watched helplessly as rail service dried up and elevators were razed to the ground. Finally, we decided enough was enough. So we went to the railway and told them, since they didn't want to service the line, West Central Road and Rail would buy it and operate it ourselves. The railway told us flatly to get lost. I have the vernacular for that as well, but I won't share that with you.

Why? Because according to them, they had already made agreements with the grain companies to abandon our line so our area could serve as a catchment for high-throughput elevators built on the line north of us. Angered and dejected, we approached the Canadian Wheat Board for help. The Canadian Wheat Board informed us, they would need rail car orders before they could press the railway for service.

That's when the idea struck us. We decided we were going to blow the dust off a century-old piece of legislation that gave us the right to load producer cars. Not only were we going to load producer cars, we were going to load a producer car train—100 producer cars in one day. In two weeks, we had 100 producer car applications in hand. Armed with rail car orders, we now had the leverage to enable the Canadian Wheat Board to press for rail service. Even with that leverage, it still took nearly three months of haggling and a formal complaint to the Canadian Transportation Agency before the railway begrudgingly provided rail service. It was that single event that launched West Central Road and Rail, an event that without the Canadian Wheat Board would have never taken place.

I have provided you photos. I'm not sure if they've been passed out yet or not. In the dead of winter, you'll get to see how that event unfolded, and why it was important.

What began as a one-time exercise to send a message to the railways and grain companies that we were not prepared to stand idly by while they de-marketed our rail line into de facto abandonment, became the catalyst that led to producer cars becoming a real competitive alternative to the traditional grain handling system. West Central Road and Rail began offering producer car loading on an ongoing basis along our rail network, which generated orders, and in turn gave the Canadian Wheat Board leverage to push for rail service.

Next, West Central Road and Rail went beyond our network and offered our producer car program across Saskatchewan. The success did not go unnoticed, and eventually several other entities imitated our model and producer car number continued to rise.

Never content with status quo. West Central Road and Rail continued to grow and evolve. In 2001, West Central Road and Rail implemented a truly unique and innovative grain gathering system for the new millennium based on producer cars. This included the construction of producer car loading facilities designed to support this new process.

This is one of my favourite pictures of one of the facilities. I think it has been passed around by now.

† (1225)

These facilities are capable of loading and unloading grain at a rate of 500 metric tonnes per hour. This means this facility can load 25 car blocks in less than six hours, while at the same time, providing identify preservation to a high degree of segregation and quality control.

West Central Road and Rail's producer car system has moved producer cars beyond the competitive safety valve to a generator of intense competition. I will explain by citing a specific example. Trucking incentives across Saskatchewan average approximately \$4.50 per metric tonne. In West Central Road Rail region, we are continually targeted with trucking incentives ranging from \$10 to \$14 per metric tonne. Why? Because West Central Road and Rail exists. And that's where the Canadian Wheat Board comes in. For without the Canadian Wheat Board, it is unlikely that West Central Road and Rail would have ever come into existence.

Think about the forces that were marshalled against us. Matched against the railways and major grain companies, what chance would you have given us to succeed? If your answer exceed 0%, I can tell you matter-of-factly, you answered incorrectly. The Canadian Wheat Board brings balance to otherwise be an unbalanced system. The Canadian Wheat Board's ability to exert influence and the grain handling and transportation system is of direct benefit of the Canadian Wheat Board's single marketing. It is a benefit that is often overlooked and undervalued.

As an example, who in the grain industry has ever formally challenged the railways head on? The grain companies? No. Too afraid, rightly or wrongly of railway reprisals. Only the Canadian Wheat Board at least successfully has been willing to challenge the railways head on. Ultimately the Canadian Wheat Board allows for fair access to the grain handling and transportation system which fosters a healthy and competitive environment. Going back to producer cars by way of example, in the absence of the Canadian Wheat Board, what real opportunity would an individual producer have to load a producer car?

First, he or she would have to find a buyer for the grain, willing to accept it on the basis that it would be shipped as a producer car. That in itself would be no easy task. What incentive would a vertically-integrated grain company with a prairie delivery point only 20 miles from the producer's loading site have in accepting that grain? I would suggest very little.

Let's assume though that the producer was an incredibly skilled marketer. It locks up in a direct sale to a mill out east for a single or even a 10 car block of grain. As a condition of sale, it is immediate shipment upon three pre-advance. If such a condition is not met, discounts will apply.

What influence do you think a single producer will have in exerting influence with the railway to get his car spotted and lifted in a timely manner in order to stay within the shipping terms of his or her contract? The answer is none. And even if the producer has a legitimate complaint against the railway, it is unlikely that he or she will have the finances or resources to act upon it. In the absence of the Canadian Wheat Board, a producer could very easily be priced out of or serviced out of the practical ability to load a producer car.

You can have a neon sign flashing in every community and farm yard across the prairie displaying the message that producers have the legislative right to load producer cars. What good is it? Legislated or not, if you can practically utilize a right, then the right is of no value. And that will become a very real scenario in the absence of the Canadian Wheat Board. Additionally, it is not only producer cars that will be in jeopardy if the Canadian Wheat Board is dismantled. It will also adversely affect independent and producer owned terminals, whether inland or at port and short line railways.

In closing, I would like you to look at the last picture I have provided for you. You will notice there is a very thin line that separates those two realities. The outcome of what happens to the Canadian Wheat Board will determine which side of that line we as producers will follow. Thank you.

(1230)

**The Chair:** Mr. Lobell. Mr. Sahl, please.

**Mr. Avery Sahl (As an Individual):** Thank you, Mr. Chairman. Gentlemen, I had a report that I'd sent in about six days after had my notice to appear before the committee. Obviously it didn't get printed in the two languages, so I'm going to sort of do it verbally.

You might think by the look of me, I'm a little bit long in the tooth to get involved in this discussion.

**The Chair:** We actually have it in both official languages, Mr. Sahl. It was done and it's been distributed.

**Mr. Avery Sahl:** Oh, I'm sorry. I was led to believe that it wouldn't be on time.

**The Chair:** Oh, no. We got a great clerk.

**Mr. Avery Sahl:** As I indicated, you might think, by the look of me, that I'm a little bit long in the tooth to be involved in this debate but after hearing the wheat growers say

they want freedom and to free up the industry and all those things, I'm going to give you a little bit of a history about what happened when I was six years old.

I've farmed sixty years in southern Saskatchewan and my dad a long time before that. Right after the thrasher machine pulls out, for farmers to get money to operate and buy groceries and whatever for the winter, they had to start to deliver grain. We were twenty miles from a small town with three elevators and my dad, I remember it very well, he loaded up grain in a tank, in a sleigh and started out at the crack of dawn to go to that little town to deliver grain.

I remember when he got home, he went into the house and he told my mother, he said "all they'd give me for it was number three" and he said "the price was down from what it was the day before" and this went on and on every day. So the farmers in that area, they decided that they would measure that grain into the wagon and send it on the same route and there were a lot of farmers who lived behind us and they were doing the same thing, and they knew pretty well what they had on that load. When they got there and the load was weighed and they said well that's not the weight that we had when we first weighed it. Well, he said "take our weight or take it home". This was the days of the freedom the farmers had. There was no Canadian Wheat Board. There was no Canadian Grain Commission to judge what kind of grain you had. You took it or your left it and that's the freedom that the wheat growers now are asking for.

I should even mention that they even went so far as they bought a flat scale and they dug a hole about two miles from our farm so that when they drove over it in the morning they would weight it on this flat scale, and they took it to the same town and they said this is the weight we got on a flat scale and they said "take our weight, or take it home" twenty miles. You know what the farmers did. They had to take it home. They had no choice. There was no cash advance. There was no Canadian Grain Commission to even check the scales and if there was a dispute on grade, too bad.'

Anyway. A little bit about myself. I said that I had farmed in southern Saskatchewan for sixty years and my dad before that. Every position that I held, I was elected. I was never appointed. I was elected as a delegate to the Saskatchewan Wheat Pool. I moved up in the ranks and I finally left it as first vice-president. So I got to know a lot of ins and outs about the grain companies and how we had to deal with the Canadian Wheat Board.

I should also mention about that time we had grain up to here and the Wheat Board knew...there was a report that came out of China that there was virtually starvation in China and we had grain that we could sell. They asked the Prime Minister, the Right Honourable John Diefenbaker, if he could arrange that the board would go into China and he did that. MacNamara who was the chief commissioner at that time and a couple of others went into China and they were holed up in a hotel in Beijing for two weeks and nobody knew what was happening.

What happened was that word finally got out. They had made a large wheat sale to China, and lo and behold when the word got out, Mr. Alvin Hamilton, I can recall it, took

the first route he could get to Hong Kong to meet them and that's why Alvin Hamilton got the name because he sold the wheat.

When Mr. MacNamara was asked about that at our meeting, that SaskPool meeting, and I can recall it because I was there, when MacNamara said "I don't give a damn who gets the credit for selling it, I sold a lot of Canadian wheat and a lot of Chinese had food to eat" and that's just one little bit of the history.

(1235)

I happened to go to China--I've been to China and Japan--and I didn't go with the Wheat Board. I went with a group of U.S. cooperative people who asked me to go. We visited Japan, and then we went to China. When we got to Shanghai, I asked the tour conductor if I could see a discharge elevator in a grain mill, flour mill. Oh yes, we drove and we finally found it.

We were introduced to the general manager of that Chinese flour mill. We were up on top of that flour mill. I had a cap on with "CWB" on it. That Chinese guy looked at that and he said.... He grabbed the.... Incidentally, they were unloading a cargo of Canadian wheat, and they always bought 3 because of price, but it was better than nothing. That Chinese guy grabbed that wheat, and he looked at my...and he said, "Good, good". I'll just tell you a little secret. I said, "Can I trade you?" This is the hat that guy wore in a Chinese mill in Shanghai, and he's wearing my Canadian Wheat Board hat.

(inaudible) the story is, since that.... The Wheat Board has sold more than 1.2 million tonnes of grain to China, and don't think that hasn't resonated with the Chinese. So I suggest that if anybody goes to China, along with your maple leaf, you better take a Wheat Board logo, because it's pretty well known, not only in China but everywhere else.

I entertain a lot of Chinese delegations that come through Regina on their way to Winnipeg. They were still wearing the Mao jackets at that time, and those kinds of hats--so you know when it was. And that relationship has stayed with the Canadian Wheat Board ever since.

One day my secretary came into my office, and she said there were two fellows out there who were really upset about something. I said, "Come on in, and I'll talk to you". They were two Japanese millers. They had a Reuters news release in their hands that stated there were farmers in southern Manitoba importing U.S. wheat and selling it for seed. And they were really upset. They said, "We buy 1 CWRS 13.5, and that's what we want. We do not want U.S. wheat mixed in with the wheat we get from Canada". So that's another experience that you better take.

When people start to talk about changing the grading system, eliminating the CWs, and all these kinds of things, that is the logo of Canada. That CW is a logo, and even the



visual.... You can distinguish is visually. Everybody knows what it is. If we were to drop that, it would be the same as General Motors dropping their Chevrolet logo on their cars. So don't ever forget that.

The wheat growers used to say, "We're growing a Cadillac wheat. We should be growing a Chevrolet wheat". Well, I've been around this world long enough to know that there are a lot of Chevrolet wheats out there--a lot of them. And there are not too many Cadillac wheats. Generally, we're short of that high-grade wheat to fill premium markets. So there's another thing. Don't get confused about some of these things they're trying to go on about, dropping this and dropping...our grading system, and all that. It served us pretty damn good, and it's still going to serve us good.

Just a little idea. My history is, I was elected to the advisory committee of the Wheat Board. That area included almost all of southern Saskatchewan. Incidentally, it included Mr. Anderson's current federal riding.

☺ (1240)

I was at a good many meetings in that area and I spoke to a good many farmers and I still talk to many farmers from all political parties, incidentally. When he says it's ideological, the wheat board's an ideological thing, well, I'll tell you, it's not ideological, it's monetary, it's dollars and cents is what it is.

I served on the standards committee of the Canadian Grain Commission establishing grades and this type of thing and the U.S. was always very jealous of the Canadian Grain Commission and our quality control. So the producers set up a meeting in Washington. They were going to try to duplicate that, so they asked if somebody there who was involved in that could go down and be with them.

When I got to the meeting in Washington, lo and behold there were more grain company officials there than there were producers. The very first words they said was well, we don't need an organization like that in our business. We can conduct our business by buying farmers' grain and selling farmers' grain....I'm sorry, well anyway.

I was on the marketing panel, if you don't mind one more point, that was established the last time the wheat growers were trying to move the wheat board out of the picture. We sent a letter out to 70 producers and asked what did they like about the Canadian Wheat Board and what didn't they like. We never got any negative responses back other than one that said well, we like it, but we think we pay too much. The others were favourable big time.

The biggest miller in Indonesia made a special trip over to see us and he said, look, you guys, if I have to buy grain from anybody other than the wheat board in Canada, I'm going to the other store and he meant Australia. That was his final remark and I remember it very clearly.

I don't know, maybe I've used up my time, sir.

**The Chair:** Unfortunately.

We'll open the round to questions and you'll be able to answer those as well.

Thank you.

Mr. Easter, seven minutes, please.

**Hon. Wayne Easter:** Thank you.

Thank you, folks.

I think all of you, really, in one way or another mentioned the Canadian Wheat Board and Rob, maybe you said it best, that the Canadian Wheat Board actually balances the system in terms of the powerful players that are out there as opposed to the tens of thousands of grain producers up against the international grain trade and the railways.

Avery, yes, you were vice-president of Sask Wheat Pool at one time and when you were vice-president, the pools really worked in the farmers' interests. I spent years out there in western Canada and I absolutely found it amazing how powerful those pools were. That now they really operate in the interests of their shareholders which may be in New York or Toronto or elsewhere around the world.

So where at one time you did have allies in terms of your own pools that were working in your interests, to a great extent now, they're just grain companies. They're out to make a buck for their shareholders which I think comes to the point of the wheat board and this task force report that we heard some more about today, no evidence, no documentation.

But do you really think the answer is as the task force recommends that what Canadian prairie farmers really need is another grain company?

(1245)

**Mr. Avery Sahl:** It's so bizarre, I just can hardly believe it. Who's driving this train? It's a group of wheat growers, Rensons. They have no credibility whatsoever. I just want to go through that. They wanted to get rid of the statutory rate that was good for farmers. They wanted inland terminals. My son hauls, round trip, over 100 miles to an elevator. They said we're growing a Cadillac wheat and we should be growing some of this other stuff. Well, that's crazy.

I went to a lot of meetings in the United States of the national wheat growers and the durham growers, and they were there in full force at every meeting. They were badmouthing the Canadian Wheat Board and what it was doing. Durham growers were the same thing. I can tolerate that in our own country, but don't go out to your

competitors bailiwick and mouth your own country. Even their president made a trip to Washington, for God's sake. It was the same type of thing. It's no darned wonder that the Russians rejected a cargo of U.S. wheat out of the Gulf for stone, gravel, you name it.

My point is that this train seems to be driven by a very small group of people such as that, and they seem to be financed, believe it or not, by the Province of Alberta which put \$1 million into the thing. They've already got a dual market. They have a big feeding industry that they can't supply themselves. A lot of grain has to come in from Saskatchewan to service that big feed market. Saskatchewan grows as much as the other two combined.

**Hon. Wayne Easter:** If I could, I know Bob wants to respond, and I wonder if Bob can answer the two questions at once to finish up.

On the picture that Rob gave us of the fine line between basically success and disaster, is the way I would put it, there is a lot of propaganda coming from the promoters. They're trying to indicate they're really not about destroying the Wheat Board and that this decision that the government is promoting will not have an impact on producer cars and/or the transportation system. They're leaving that impression.

Rob, I think you differ on that opinion. Can any of you explain concretely how you feel the impact of this decision will, in fact, impact on producer cars, the ability to farmers really to have a say from a power point of view? This is for Bob as well.

**Mr. Rob Lobell:** I will try to answer that. I've had first-hand experience in dealing with the railways, and even with a large volume. We ship 3,500 cars a year, so I can tell you that even with that kind of volume, we still have a difficult time on a given day dealing with the railways and the ins and outs of that. You have to remember this. Oftentimes they try to say that producer cars have nothing to do with the Canadian Wheat Board. They have to do with the Canadian Grain Commission. That is untrue. I will tell you why that is. Don't forget, somewhere, somehow you have to have an actual car allocated to you. It's that pool of cars that the Canadian Wheat Board controls that we are actually given, so without the Canadian Wheat Board, I would suggest to you, it's highly unlikely that we would ever be able to access cars on the kind of basis that we do have.

I do want to make a comment. I had a chance to read the report as in-flight reading. I gave the benefit of the doubt because I'm a person driven by practical experience and pragmatism, not philosophy, not ideology, and I come from an area that is not a bastion of left-wing thinking but right-wing thinking. Just for the record, that's Mr. Anderson's backyard.

I was waiting to see how we were going to have a viable Wheat Board, and we're not. The truth of the matter is what they have pointed out is they're going to dismantle the Canadian Wheat Board and essentially create another grain company, the Canadian wheat pool, if you will. As we know it today, it is not the Canadian Wheat Board with the influence that it has in the grain transportation and handling system. It just simply is not.

Q (1250)

**Mr. Bob Friesen:**

Thank you. I want to make a couple of points. First of all, there's not nearly enough information that CWB two would be able to survive. Let's ask all the grains and oil seeds producers who lost equity in SaskPool over the last two years, or in Alberta pool. None of them are going to believe for a minute that we could start a new grain company to compete against these other large companies. This is an informational issue. The other informational issue is that farmers need to know that this isn't a case where we'll try if for a couple of years and if it doesn't work, then we'll go back to single-desk monopoly. It's going to be irreversible. You just need to look at chapter 11, the investment chapter in NAFTA at the performance requirements. We need an analysis on what the loss of market power would do. Would it harm farmers or wouldn't it? I'd like to see information like that as well.

We also need to see better information on value added. Most people don't know that Canada is a larger net exporter of flour than the United States is. Do farmers know that when they hear the argument that we're impeding value added or the fact that companies are saying "well, we'd like to set up a moulting plant in western Canada but we can't because of the Canadian Wheat Board", and in fact we can import malt barley from the U.S. with no tier two, with no tariffs. That's not an impediment either. We need much better information out there so that we can have a really good objective discussion from both sides of the issue.

**The Chair:** Thank you, Mr. Friesen.

Before we move on, Rob, you made the point that you run 3,500 cars a year down your line. Can you give us a breakdown of the percentage of board and non-board grains?

**Mr. Rob Lobell:** We've got no board grains, really.

**The Chair:** Non-board grains.

**Mr. Rob Lobell:** Non-board grains, I'm sorry. That's correct. Even the overall numbers, I should tell you, there were over 11,000 cars shipped. I think of that only 168 were non board.

**The Chair:** I just wanted to make that point.

Mr. Bellavance.

[*Français*]

**M. André Bellavance (Richmond—Arthabaska, BQ):** Merci pour vos témoignages. Je vais laisser les témoins mettre leurs petits écouteurs.

De toute façon, ma première question s'adressera à M. Friesen. Je vous remercie de vos témoignages.

Monsieur Friesen, à vous entendre — et je partage cette opinion — on dirait que le gouvernement a placé la Commission canadienne du blé dans un entonnoir. Avec toute la planification qui a été faite, qui me semble très élaborée, pour finalement en faire ressortir au bout ce que le gouvernement a promis en campagne électorale, et même depuis bien avant cela, en fait ce que les Conservateurs prônent depuis déjà un bon moment. Comme vous dites — et cela est très juste — on ne peut pas revenir en arrière.

Si jamais cela va jusque là, on sort au bout de l'entonnoir avec une pseudo-Commission canadienne du blé 2 avec le choix pour d'autres producteurs de faire affaires comme ils le veulent avec des entreprises, soit américaines, soit d'un peu partout dans le monde. On ne pourra pas revenir en arrière. Donc, c'est vraiment un pensez-y-bien.

C'est la raison pour laquelle on a prôné, nous du côté de l'opposition, la tenue d'un référendum. Vous avez salué la décision du ministre, qui l'a annoncé ici même en comité, de tenir un référendum mais seulement pour les producteurs d'orge.

Comment expliquez-vous que les producteurs de blé, qui sont pourtant eux les plus importants producteurs de grain dans l'Ouest, soient mis à l'écart. Est-ce que vous avez une idée de la raison pour laquelle le ministre a choisi de ne tenir un référendum qu'auprès des seuls producteurs d'orge?

Ⓜ (1255)

[English]

**Mr. Bob Friesen:** You'd have to ask the minister why he chose to only choose barley producers for a plebiscite. I agree with you that there is no need to deregulate the single-desk monopoly to address any concerns that I have heard anywhere. No concerns have warranted deregulating single-desk monopoly. They could all be addressed within the single-desk monopoly. Again, it's an informational issue. Farmers need to know this. Farmers need to know what could be done and what's available to do without deregulating the single-desk monopoly and should we then still deregulate it or should we address the problems within the single-desk monopoly. And again, it's a partnership issue. We have a government that has expressed recently and a long time ago that they want to be partners with producers. I believe they can show real leadership, which farmers would appreciate, if they said, "yes, let's have a good discussion, put the information out there, and let's let the farmers decide".

[Français]

**M. André Bellavance:** Pour cela, il faudrait que ces producteurs, y compris les producteurs de blé, aient le droit de voter à un référendum. Il faudrait vraiment que ce choix soit fait par l'ensemble des producteurs de grains de l'Ouest, sans exclusion.

Que pensez-vous de ce que nous avons entendu, du fait qu'on commençait à vouloir jouer sur le nombre de personnes admissibles à la tenue d'un tel référendum?

[*English*]

**Mr. Bob Friesen:** I don't think we should play with any numbers. I think all wheat and barley producers should be eligible on a one-vote-per-person eligibility basis.

[*Français*]

**M. André Bellavance:** Je m'adresse toujours à vous, monsieur Friesen.

Vous avez sans doute pris connaissance du rapport qui nous a été présenté tout à l'heure par le groupe de travail. Vous étiez là, d'ailleurs, quand les gens témoignaient.

Plusieurs chapitres parlent du contrôle, par les agriculteurs, d'une formule rentable pour les agriculteurs, d'acheter les grains des agriculteurs, de diminuer les coûts de la chaîne d'approvisionnement. Pensez-vous qu'il faut absolument une Commission canadienne du blé II pour réaliser toutes ces résolutions, si on peut les appeler ainsi — ou ces titres de chapitre? Ou, sous l'actuelle Commission canadienne du blé, moyennant peut-être certaines modifications — cela a déjà été fait auparavant et peut se faire, il y a tout le temps une évolution qui doit se faire, évidemment, dans toute organisation — pensez-vous qu'on peut satisfaire aux fins et besoins des producteurs agricoles en gardant la Commission canadienne du blé actuelle, ou faut-il absolument faire les changements draconiens qui sont proposés?

[*English*]

**Mr. Bob Friesen:** Again, I would reiterate that I believe any concerns that have ever been expressed on the Canadian Wheat Board could well be dealt with within the single-desk monopoly.

The other concern I have is that again, the implication that wholesale deregulation has on any other marketing structure in Canada, with the justification, “Well, farmers have to make changes everyday of the week, so let's make this change; they're used to change anyway.” I believe it has real implications. I believe a strong signal needs to be sent out by this government that we will empower farmers to decide on the marketing structure that best suits the collective interest of agriculture. We have a very diversified agricultural industry in Canada. We always have to think of all of agriculture, not just certain parts, certain regions or certain sectors.

**The Chair:** It's your question.

**Mr. Avery Sahl:** Yes, I've run across the general manager of the chicken board in Saskatchewan and the Winnipeg airport on the way to Ottawa. He said, “For God's sake,

who's next? Is the chicken board? Is it the egg board? Is it some vegetable board? Is it the supply management?" He said, "Who in hell is next on the list?" That was his comment.

[*Français*]

**M. André Bellavance:** Oui, allez-y, monsieur Lobell.

[*English*]

**Mr. Rob Lobell:** Back to the situation, it frustrates me as a producer that for some reason people view the Canadian Wheat Board as somehow being locked in some sort of time warp where they haven't changed over the last how many decades. It's ridiculous to assume that. I can tell you the Wheat Board has changed dramatically over the past decade--dramatically, folks--with the farmer-elected directors. They are running that organization. I believe very strongly in two things: a market economy; and I also believe in democracy. And I also know that in a market economy there's value in a monopoly. As a producer who controls that monopoly, I'm not sure I want to give it up just because there are a few who think they can do better outside of that. And I am certainly not willing to give it up without the democratic right to have a vote on that issue. I think if we're going to do that--fair's fair--and if there's a vote amongst wheat growers and barley growers and Durham growers, and the farmers determine that this Wheat Board should go, then it goes. But until then, I say it has to stay.

☛ (1300)

**The Chair:** Thank you, Mr. Bellavance.

Mr. Miller, seven minutes please.

**Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC):** Thank you very much, Mr. Chairman.

Thanks, gentlemen, for coming today.

I think that we all, on both sides of the table, have to show credibility and we've got to be able to display no conflict of interest, and that kind of thing. To point out an example, Mr. Friesen, Mr. Sahl, Mr. Lobell, you're all president of your organizations and I guess I would view it from sitting as a politician here that if I had been president of the CFA or the NFU or what have you, and then come on here, I'd be viewed or could be perceived as having a conflict or a bias towards any of those organizations anytime they come before the board. So my question is first, and it's a yes or no answer: Have any of you ever been a part of a board of directors of any political party, or ran as a candidate, or tried to run as a candidate? I'm just curious. Just yes or no.

**Mr. Rob Lobell:** The answer is no.

**Mr. Larry Miller:** Mr. Friesen.

**Mr. Bob Friesen:** Well, on your first point, as far as a conflict of interest, I'm in no conflict of interest at all.

**Mr. Larry Miller:** I wasn't assuming that you were, I just asked a question.

**Mr. Bob Friesen:** Now, with representing all the members of CFA, and this is why the CFA was a little quiet on this issue until we had a board of directors' meeting two weeks ago—

**Mr. Larry Miller:** No, I'm not perceiving that you do on the CFA, my question was have you ever...?

**Mr. Bob Friesen:** I've never run as a candidate for any political party, no.

**Mr. Larry Miller:** Did you try to at all?

**Mr. Bob Friesen:** I ran for a nomination.

**Mr. Larry Miller:** Oh, okay.

Mr. Sahl.

**Mr. Avery Sahl:** No, no I haven't.

**Mr. Larry Miller:** Thank you.

My next question is to Mr. Friesen. You were talking about plebiscites and what have you. I know back a few years ago hog marketing boards were deregulated. Was there a vote then to deregulate them?

**Mr. Bob Friesen:** Manitoba had single-desk selling in the hog industry and they went to dual marketing.

**Mr. Larry Miller:** Was there a plebiscite, sir?

**Mr. Bob Friesen:** No, there wasn't.

**Mr. Larry Miller:** Okay, thank you.

Mr. Sahl, you indicated that you've been in the wheat business as a producer. That's good, I'm a producer myself, in beef mostly, but I have grown wheat and sold it. So, Mr. Sahl, you must have, I presume, some family or what have you in the business still farming. I don't know whether you still....



**Mr. Avery Sahl:** My son is on the farm. I'm out there every spring. I drive a tractor, I drive the combine every fall.

**Mr. Larry Miller:** Good for you. My dad and father-in-law are still doing that, too, and that's good.

I've heard a lot of comment, because I have relatives that actively farm in Saskatchewan and Alberta, and I have friends in them two provinces, and Manitoba, that farm, and they've all told me that this issue over the Canadian Wheat Board has split families, neighbourhoods, you know, right down, that's how divisive an issue it is. Does everyone in your family, Mr. Sahl, agree with your position on things? Just yes or no would be good.

**Mr. Avery Sahl:** As strange as it might seem, my granddaughter is a mouthpiece for the wheat growers—

**Mr. Larry Miller:** Oh, okay. Thank you, sir.

**Mr. Avery Sahl:** —and was here the other day, I understand, and I could give you some—

**Mr. Larry Miller:** That's good enough, sir, I was just curious.

**Mr. Avery Sahl:** I could give you some history.

**Mr. Larry Miller:** Or whatever. I don't need to know, I'm just curious.

**Mr. Avery Sahl:** Okay.

**Mr. Larry Miller:** What I'm trying to say here is this is a very divisive issue across the country, across the west.

Mr. Friesen, membership lists and what have you, there has to be some qualifications, going back, again, to the plebiscite that you mentioned. It's been suggested that if you sold grain in the last two years, that should qualify you for any plebiscite.

I'll give you a personal thing. I grew a bit of wheat, as I indicated. I haven't sold any for it's either six or seven years, and now I am in Ontario. But if I was under that same circumstance and living in Saskatchewan or whatever, do you think that I should qualify to have a vote on that plebiscite?

2 (1305)

**Mr. Bob Friesen:** The CFA has no position on that.

**Mr. Larry Miller:** Well, can I ask any of the other gentlemen, then?

**Mr. Avery Sahl:** Yes. When I was on the advisory committee of the Wheat Board, we knew that there was even a lot of people on there that had passed away, and we made a deliberate attempt—

**Mr. Larry Miller:** But, Mr. Sahl, it's a direct question, and I think it's pretty easy to answer.

**Mr. Avery Sahl:** Okay, sorry.

**Mr. Larry Miller:** Do you have an opinion on that?

**Mr. Avery Sahl:** To give you a direct answer, I've got to make an example.

**Mr. Larry Miller:** Well, if you can make it quick, because I only have a few minutes and I do have some other questions.

**Mr. Avery Sahl:** In light of that, our farm was incorporated, so that we'd have one entity in CWBA, and that lets me out. I'm a big part of that financially, and every other way, and I phoned the other day and you're not on the list.

**Mr. Larry Miller:** Okay, so you think that if you're in a corporation, yes. That's maybe a fair comment. If I was in your shoes, I might think the same.

Mr. Lobell.

**Mr. Rob Lobell:** If you're a grain producer, I think you have every right to participate. There are reasons why you may not have grown wheat or durum in the past six years. I don't know what would be, but certainly I know there are reasons sometimes we grow less durum and more special crops. There are economic reasons to drive that. I would certainly hope I would get an opportunity to vote on such an important decision.

**Mr. Larry Miller:** Another one here that I have, Mr. Friesen, you are president of an organization that basically represents farmers from every province, I presume, certainly the biggest part of them. Of course, your job, with your organization, is to try and represent every facet, every commodity, what have you. You're not commodity-based, you're looking at everyone. That's a correct assumption.

It's your stand on this that I find, I guess, a little disturbing. I am a member of the Ontario Federation of Agriculture, which, in turn, makes me, basically, a member of your organization. Everybody here has to be treated the same. What the government has proposed to do with the Canadian Wheat Board is give everyone an option—not get rid of the Wheat Board, which is nothing but fear-mongering, but to give everyone an option. The people that would like that freedom to make a choice benefit from this. The people that want to sell under the Wheat Board still have that choice. Everyone wins. I guess I would like to hear you justify how you could not go along with that, when everybody's a winner in the situation.

**The Chair:** Go ahead, Bob.

**Mr. Bob Friesen:** First of all, I justify my position by the fact that the members told me what our position is. If I don't speak for the members accurately, you know what happens to people like that. So, again, that's why we discussed it at a board of directors meeting two weeks ago. That's why, in my presentation, I didn't talk about the pros and cons of the wheat board, what we should do with the wheat board. The members were very, very adamant, though, that it needed to be farmers who made the decision on marketing choice and that included the president of the OFA on the board of directors as well.

That's fundamentally the CFA position. They don't go any deeper on what should border eligibility be, etc. They say it's important to put information out there, they say that there's debate from both sides of the issue, they say they want a fair debate, and then that farmers should decide.

**The Chair:** Thank you, Mr. Friesen.

Mr. Atamanenko, final seven minutes.

**Mr. Alex Atamanenko:** Thanks, gentlemen. I'll try to be quick. Sometimes it doesn't work out that way. Hopefully I'll get an answer from all of you.

Bob, a first question for you. You mentioned in your opening statement that you welcome the idea that there is going to be a plebiscite on barley but overall you believe and your organization believes there should be a vote for all people using the wheat board.

Would your position be that, as in the softwood deal, it's not the best deal but you'll go with it, if there's only a vote for barley producers, or is the CFA stating clearly that we need a vote for both wheat and barley producers?

**Mr. Bob Friesen:** Yes, we stated very clearly that we need a vote for both. The announcement on holding a plebiscite for barley is a signal that yes, they realize that farmers should be part of the decision-making process in deciding the marketing structure and we're saying that needs to be done for wheat as well.

**Mr. Alex Atamanenko:** Okay, thanks.

Mr. Lobell, it's my understanding--and I took lots of notes when you were speaking--that clearly you believe that without the Canadian Wheat Board as it currently exists, your railroad would not exist and there would be other effects in the rural communities. Could you expand on that a little bit, please?

☎ (1310)

**Mr. Rob Lobell:** For starters, I don't run a railway. I run a pressure car loading facility, and yes, of course, it's going to have a devastating on rural communities for one, because you're losing valuable infrastructure if you lose rail lines, delivery points, etc., etc I think our model, the West Central Road and Rail model, has demonstrated just how effective in terms of creating competition, if you will, it is in the system. And again, the only way we could create that competition, is with the existence of the Canadian Wheat Board, because in its absence the market power of the other players, specifically railways and grain companies, would ensure that we simply could not exist.

I would suggest to you that the Canadian Wheat Board under the proposal by the task force would be very much that same way. Essentially what you're going to have is a gagged and bound wheat board rendered unconscious and told to go out and compete without fiscal assets. It just isn't going to work.

**Mr. Alex Atamanenko:** Thank you.

Mr. Sahl, you've been around for a long time. You have lots of experience. There is an argument, sometimes we talk about trade unions we say, they were really good years ago but we don't need them any more. Times have changed, and yet we see that perhaps we need them more than ever, because of privatization and the global forces.

So the argument goes in regard to the wheat board, it was good when we got it going in the thirties. Times have changed. In the context today we need to change the way we do things. It's no longer relevant. I'd like you to comment on that, please.

**Mr. Avery Sahl:** Well, it's no secret from most of the producers I talk to that it just will not exist under the proposal. So I don't know you need to say much more than that.

I was up to the Canadian Grain Commission office inquiring about something and she had just got a phone call from a fellow who had moved from England and bought land in southern Saskatchewan, and he phoned in there wanting some information about a barley car. He said, "I can't believe it in Canada here. You guys have soldiers over in Afghanistan dying and fighting for democracy, and yet the government in this country won't even acknowledge that there is such thing as democracy." We want a vote. That's what we want.

**Mr. Alex Atamanenko:** If we can move on, we've got some time, I guess. In the previous panel we talked about winners and losers, and the report mentions that there will be winners and there will be losers. I'm wondering, who are these losers? Who are going to be the losers if in fact we go with CWB II, which becomes in effect another grain company, which becomes in effect...may go the way of Saskatchewan Wheat Pool and all of that.

Could we start with Mr. Lobell, your comments on that?

**Mr. Rob Lobell:**

Because of the nature of the business I'm in I can tell you--although I heard Mr. Davies, who is a member of that same organization, say that he seems to be unconcerned--many of the ITAC members I've been in discussion with who own these independent inland terminals, as well as those independent people who own port terminals, as well as short-line railways, the smaller grain companies, and of course overall I would say the biggest impact is going to be on producers. Those are the losers you're going to see in this game.

I'm not suggesting there won't be any winners on the producers side because that would be very naive for me to say, because there will be. But sometimes what's best for the overall populace has to be taken into consideration.

It's not different than health care, frankly. If you take the health care model, I'm sure there are certain people who could do much better under a privatized system. And I'm just suggesting that in this case the Canadian Wheat Board serves producers and serves this industry very, very well.

**Mr. Alex Atamanenko:** Thank you.

Bob.

**Mr. Bob Friesen:** Yes, if the information is out there that there are going to be losers with the CWB II, it would be exactly the same farmers who were losers when they lost control of the western wheat pools we had as a result of non-competitive policy with the U.S. So it would be the farmers who would be part of the membership of a farmer-owned grain company and that was the same thing that cost them when they were members of the wheat pools.

But again, we need to see the economic analysis to determine whether there would be winners and losers, and who they would be.

**Mr. Alex Atamanenko:** Mr. Sahl, somehow there is an implication in the report that the farmers have to adjust to the system. The implication is they're not as effective as they could be, and that they have to become more effective and more efficient. Do you agree with that?

☎ (1315)

**Mr. Avery Sahl:** No, I do not.

**Mr. Alex Atamanenko:** Why?

**Mr. Avery Sahl:** I've seen that organization in operation for quite a few years and I've seen how they relate to the world, I know how they relate to farmers, and I certainly know the benefits they provide for farmers.

**Mr. Alex Atamanenko:** Thank you.

**The Chair:** Do you have one final point, Alex, or are you all in?

**Mr. Alex Atamanenko:** No, I'm fine, thanks.

**The Chair:** Good, thank you.

Gentlemen, thank you so much for appearing here today. It's an ongoing issue that we're delving into and working our way through as well, trying to come to some understanding as to how we empower farmers and everyone gains in this issue.

Thank you again.

This meeting stands adjourned.