

## Speech to the Winnipeg Chamber of Commerce October 19, 2006

Thank you, Darren and thanks to your company, MF1, for sponsoring today's luncheon. *(Darren Schaan from MF1 will be introducing you. MF1 is the only sponsor)*

It's truly my pleasure to have the opportunity to address the Winnipeg Chamber of Commerce today and I'd like to thank the Chamber for making this time available to me. In preparation for my speech, I asked my staff to look into when the CWB had first become a member of the Chamber and I was a bit surprised to learn that we actually joined back in 1947. So we have a long history of working together – one that stretches back almost 60 years – and one that underlines the CWB's commitment to Winnipeg's business community. I'd also like to thank the Chamber's President and CEO, Dave Angus, for his strong support of the CWB, and congratulate the Chamber's incoming chair, Ken Jones.

As Darren said, I have served as Chief Executive Officer at the CWB since January 2003. Now, it occurred to me that it may not be evident to everyone gathered here today exactly what a CEO does. So I thought I would go about providing you with some clarification on my role and responsibilities by way of a story that I heard not too long ago:

A man is flying in a hot air balloon and realizes he's lost. He reduces height and spots a man down below. He lowers the balloon further and shouts: "Excuse me, sir, can you help me? I promised my friend I'd meet him half an hour ago, but I don't know where I am."

The man below says: "Yes. Well, you're in a hot air balloon, hovering approximately 30 feet above this field. You're between 49 and 50 degrees N. latitude, and between 98 and 100 degrees W. longitude."

"You must be an engineer" says the balloonist.

"That I am" replies the man. "How did you know?"

"Well" says the balloonist, "everything you've told me is technically correct, but I have no idea what to make of your information, and the fact is I'm still lost."

The man below says "You must be a CEO."

"I am" replies the balloonist, "but how did you know?"

"Well", says the man, "you don't know where you are, or where you're going. You've made a promise you have no idea how to keep, and you expect me to solve your problems. And even though you're exactly in the same position you were before we met, you've found some guy underneath you that you can blame."

Well, I'm sure that there aren't any CEO's in the room today to whom the man's comments would apply. All of us would like to think that we know where our company is, where it's going, how we're going to keep our promises and how we're going to deliver better service to our stakeholders.

As for having someone else to blame, those days are gone. The buck stops at the CEO's desk. In the case of the CWB, I'm directly accountable to my board of directors, comprised mostly of farmers from Western Canada. They expect me to deliver good value for the \$60 million per year that they as farmers pay for the CWB's administrative expenses.

In light of this, it came as a shock to me and to many others who are involved with our organization, including the farmer-elected directors, when we received an order-in-council from the Federal Cabinet two weeks ago that told us that the CWB was no longer – and I quote – to “expend funds, directly or indirectly, on advocating the retention of its monopoly powers, including the expenditure of funds for advertising, publishing and market research.”

This order came as a shock because, while the CWB exists by virtue of federal legislation, it is not a government agency. It is a single desk selling agent for farmers. It exists to earn money for farmers. Its costs are covered by farmers. It answers to farmers.

The CWB that I will talk to you about – the organization that I serve in my capacity as CEO and to which I've devoted 32 years of my life – is in this game to add value for farmers. My intention today is not to make a case for the CWB's single desk powers per se or for one corporate structure or another. But the case that I do want to make is that farmers have the right to determine their future and the future of their marketing agency. And in order to do that, they need access to the facts and to clear information about what the current system does for them – and what a future without the single desk will mean for their livelihoods.

In my 32-year career at the CWB, there have been ups and downs and times when I thought: there must be easier ways to make a living. The CWB is a large player in the western Canadian grain industry and there have been many challenging situations that we've had to face. Whether it's meeting customers' needs when the quality of our crop is not as good as usual or it's deciding to hold grain off the market to protect the overall price structure... the CWB is often asked to make tough decisions where there are no clear wrong or right answers.

And just like for many other business people in this room, there have been very long hours too... and many trips abroad to locations where security was an issue and many days spent away from family and friends. And many times, there has been uncertainty – just as unsettling and pervasive as what the organization faces today – over the CWB's future.

But what has always pulled me through is the conviction that the CWB is an organization that strives to act with integrity and that, in spite of the day to day challenges, I could be proud of serving the grain producers of Western Canada as one of its employees.

Look up the word integrity in the Oxford dictionary and it provides a couple of definitions. The first says that integrity is “the quality of having strong principles”. The second – which is equally important – says that integrity is “the condition of being unified or sound in condition.”

So let's start with the part about strong principles... If the CWB has integrity as I've claimed, what are the principles that drive its actions?

The first is its commitment to farmers.

Some people criticize the CWB as a hold-over from a bygone era. They say that forcing farmers to sell their grain to a government organization at a price that is set in Ottawa is a practice that has no place in a 21<sup>st</sup> century market-driven economy... Unfortunately, these critics are basing

their opinions on hearsay and third-party conjecture that have no connection with the reality of the CWB's role in the grain marketplace.

The CWB that I work for is not a buyer of farmers' grain. We're an agent. We take the grain that farmers produce and we work to sell it for the highest possible values to customers in Canada and around the world. We have no interest in making a margin on farmers' grain because our bottom line is not increased by buying low from farmers and selling high to customers. We have one job: that is getting the most we can for farmers and passing the proceeds back to them.

We're an agent but we're not just any agent. We're the only game in town. If farmers want to sell wheat and barley for export or human consumption in Western Canada, they have to sell it through us.

Some farmers, it's true – and I know because I've spoken to many of them – don't like being forced to sell through one agent.

But the majority of Prairie farmers do. And the reason that they do is not because they're stuck in some Depression-era time warp. On the contrary, Prairie farmers support the fact the CWB is the only selling agent for their grain because they are hard-nosed business people with their eyes firmly trained on the marketplace. And what they see when they look at that marketplace is that it is increasingly globalized, increasingly concentrated in the hands of a few very, very large players and increasingly distorted by government intervention in other countries.

They support the CWB as the only agent for their grain because they understand that, among the marketing tools they've got at their disposal, none is more important than their ability to brand their grain as the best in the world. They know they can then go through their one agent – the CWB – to get premiums for that product from the marketplace. This isn't some vague socialist notion – this is an understanding that when you're competing with the biggest and the best in the world, you had better be up to the task.

In 2004, 73 per cent of the world's trade in grains and oilseeds was controlled by only four companies. That number is up from 62 per cent five years ago. All of these companies – companies against which we compete – are integrated, both vertically and horizontally across the food value chain.

The CWB enables farmers to play in this game. It markets between 18 and 20 million tonnes of farmers' grain every year for total gross sales of between \$4 and \$4.5 billion dollars. It has – in the words of the Auditor General of Canada – “a solid reputation as a strong and capable marketer” with sales people who are viewed as “tough negotiators on price”. And it has a track record for quality, service and consistency that is second to none.

I'm proud to be part of a team at the CWB that is trying to give farmers a fighting chance in the international marketplace. It's frustrating sometimes when there isn't more that we can do, when the Canadian dollar moves against us, for instance, or when competitors decide to blow grain out at fire-sale prices...

But the fact remains that having one strong agent representing producers pays dividends. I've seen it in Moscow – when the CWB sales mission I was on concluded \$1 billion dollars' worth of business – I've seen it in China where we've developed partnerships with COFCO, a key player in their emerging food industry, I've seen it in Algeria and I've seen it in Japan. There is no doubt

that because of the CWB, the farmers of Western Canada have been able to make sales that they couldn't otherwise have made at prices that they couldn't otherwise have negotiated.

I make no apologies for the fact that my staff and I are in this game for farmers. On the contrary, we've built it into our mission and vision statements at the CWB. I've also repeatedly praised my staff for their level of commitment to the cause of maximizing returns for farmers and equalizing – so to speak – the forces that have coalesced against the primary producer in today's grain marketplace. In fact, in our most recent employee survey, 91 per cent of staff indicated that they were committed to our vision and mission and to the cause of maximizing farmer returns, a level which our pollster said was almost unprecedented in a commercial organization such as ours.

So being unequivocally on farmers' side is principle number one.

Number two is respecting farmers and respecting their right to determine where they want to head with their grain marketing agent. In 1998, a fundamental change in the CWB's structure and mandate occurred. It went from being a crown corporation to one governed by a board of directors made up of 10 farmer-elected directors and five who are appointed by the federal government. This legislative change turned decision-making power over from the old commissioner structure that was in place when I arrived at the CWB to one where farmers themselves have the ultimate say on the policies and strategic direction of their grain marketing agent.

What difference has this made? Well, it's made a huge difference. The board of directors has given the CWB a farmer-focus, an accountability and an openness that it never had before. Now, farmers, through their elected representatives on the board, see all the financial records. They see the sales program. They see actual sales transactions and can compare the numbers with what the competition is doing. They bring their ideas to the board table and challenge staff and management to find ways to implement them. They get together to decide whom they want as a President-CEO and make their recommendation to the Minister. And perhaps most importantly, they have the right – on behalf of the farmers they represent – to say whether or not the CWB should continue to be the only agent for Prairie wheat and barley.

This is how it should be. People have long ago understood that, when you have a contentious issue like the CWB's status as a single-desk marketing agent, you turn the decision over to the people most affected. You give them the right to decide how they want to manage their own industry. This is what we do with professional associations – not to mention our entire election process as a democratic nation. Now, some issues – related to fundamental human rights – are protected in documents like constitutions and charters. But the issue of the CWB's status is an economic issue, just like whether or not all dairy farmers should be forced to sell through a marketing board or if all chicken production should be supply-managed. This is a decision that belongs with farmers, not government.

The federal Conservative party's desire to move unilaterally to eliminate the single agent approach to grain marketing in Western Canada is an affront to this principle. It takes the decision out of farmers' hands. It fails to respect farmers as informed, thoughtful decision-makers. It imposes an ideologically-driven view of the grain industry on farmers without giving them an opportunity to clearly indicate what their wishes are.

Third principle: deliver value.

There are different segments in the grain marketplace. When you export as much grain as we do in Western Canada and when the weather plays havoc with the quality of your crop, you sometimes have to sell grain in markets where price is almost the sole consideration, where good, sound grain with reliable milling characteristics will not fetch a price that is much different from feed grain. This is a market that western Canadian farmers must sometimes access but it is not our target. We aim higher. We want to be the supplier of choice for customers who are looking for the best grain in the world. And we have been successful in carving out that niche to an extent that is the envy of our competitors.

In our most recent customer survey, 65 to 70 per cent of buyers rated our grain as better than the competition's on product cleanliness, quality and consistency. In the case of customer service, 80 to 95 per cent of buyers said that our customer service was as good as or superior to that of our competitors. The result: solid customer loyalty and long-term business relationships that run deep. As proof of this, I can point to several examples where buyers throughout the world – from China to Poland and Italy to Mexico and back to Japan – where our customers brand the products they make as being derived from Canadian wheat and barley sold to them by the CWB.

This is how we earn business: we don't slash prices, we avoid making promises we can't keep. What we try to do is deliver value on a consistent basis and provide excellent customer service prior and after the sale.

Farmers deserve a large part of the credit for this international reputation because of their commitment to quality and their determination to get the job done, even in the face of all of the adversity that Mother Nature and international commodity markets send their way.

But the Canadian approach to grain marketing – including the roles played by the Canadian Grain Commission, the Canadian International Grains Institute and the CWB, all of which are headquartered here in Winnipeg – must also be recognized. These organizations partner to provide strength and support to the western Canadian grain industry, sometimes in very innovative ways. For instance, it may come as a surprise that right here in downtown Winnipeg, about a block south of Portage and Main, there are a series of world-class pilot plants – a bakery, a pasta plant, a noodle plant and yes, even a brewery – that have been built to demonstrate the benefits of using Prairie wheat and barley to customers from around the world. These market development efforts are crucial for farmers but they also serve to put Winnipeg on display for people from Europe, South America, Asia and the Middle East. In the last crop year alone, over 1,300 international visitors traveled to our city to attend seminars and grain industry courses put on by these organizations.

The private grain trade – with many head offices right here in Winnipeg – also plays a major part. It has done so both from the point of view of handling the grain in country and port facilities as well as on the many occasions where grain companies have acted as agents of the CWB.

The CWB has been instrumental in bringing all of these partners together, in coordinating their efforts, in directing research, in putting customers in contact with farmers and researchers... This approach has been very successful and it has made Winnipeg the hub of the western Canadian grain industry with all of the economic activity that this entails. The CWB has also been instrumental in maintaining the viability of Churchill, our only Prairie port and – and in my mind – a bit of a neglected jewel on the Hudson Bay coast. Over the past 10 years, the CWB has shipped close to 4 million tonnes of wheat and barley through Churchill. This year's

shipments represent 80 per cent of the total grain that was moved through its port facilities but in many years, only grain marketed by the CWB has been shipped through Churchill.

As a result, it is no exaggeration to say that the CWB rates as a significant driver of the Manitoba economy. In 2004, the CWB hired PricewaterhouseCoopers to do an independent analysis of the net economic impact of its activities. The final report estimated its net impact in Manitoba to be \$210 million per year – for the city of Winnipeg alone, it was \$85.7 million with labour income of \$66.3 million.

So what happens when you start to unravel this Canadian approach? Regardless of what models the federal government wants to consider as it moves towards an open market environment for the sale of wheat and barley in Western Canada, a CWB without single agent status is not the strong anchor tenant that it is today. Take away the single desk and our ability to deliver value will be eroded. When our ability to deliver value is eroded, the cluster of economic activity that has been created around us will be eroded too. The important functions that the CWB has performed will disappear or will be spun off to other players and this city and this province will lose the pre-eminent roles that they have traditionally played in the Prairie grain industry. The chain of events that will be set off if the federal government proceeds with elimination of the CWB's single desk powers will definitely have some very far-reaching consequences.

The fact is that customers around the world want to do business with Canadians. In my experience, Canadian business people are highly respected and Canadian products are seen as desirable and distinct. It would be a huge mistake, based on what I've seen in the international marketplace, to cast aside the features of our uniquely Canadian approach that give us a leg up on our competition.

Which brings me to the second part of the Oxford definition...

Because integrity doesn't only mean something that is built on strong principles – it also means that something is sound and durable. Materials, buildings, structures that have lost their integrity need to be torn down and replaced.

Today's CWB – the CWB that I've worked for all my life – has integrity of both kinds. It is based on a commitment to farmers, on respect for their intelligence and their leadership and on a commitment to deliver superior value. This solid foundation gives it soundness and sustainability.

I am convinced, based on my 32 years in the grain business, that a unilateral move by government to remove the CWB's power to act as the sole agent for Prairie wheat and barley will damage both types of integrity and will place the organization to which I have devoted my professional career at risk. It will impede the CWB's ability to advance farmers' economic interests in an effective fashion. It will make a mockery of farmers' democratic right to determine their marketing structures. And it will hamper Western Canada's ability to deliver the world-class grain for which we are known.

In short, it will leave the CWB in a state that can hardly be called sound or sustainable or profitable or effective or any other adjective that can be used to describe an organization that has a future. I'm not the one who will suffer most from this loss. While it would grieve me to see the CWB made irrelevant in this way, the front-line victims would be farmers – big and small – who rely on a strong CWB to make their businesses work.

Farming is a tough, tough business. The loss of the CWB's single desk, like the loss of the Crow benefit some ten years ago, will only make it harder.

But this city and this province will also suffer: the farmers' loss will be everyone's loss. A grain industry that once had integrity of both kinds will suffer further consolidation, rationalization and globalization with the result that a city and a province that were once home to a specifically Canadian approach to marketing grain will have another bunch of downtown vacancies and empty office towers to fill.

It doesn't have to be this way. The federal government can enter into an open and unbiased dialogue with the board of directors on how to maintain integrity in the organization while seeing if more flexibility for farmers can be achieved. As it is, we're being told that government will proceed with the implementation of its election promise on creating an open market for wheat and barley, regardless of what a majority of farmers think and regardless of the facts that we can present. This is as wrong as it is un-Canadian.

- - -

The issue of the CWB's future and its role in the western Canadian grain industry is one for grain producers to decide. The current legislation governing the CWB explicitly calls for a farmer vote before either wheat or barley is excluded from the single agent system of marketing that is at the heart of the CWB's value proposition. The government's desire to follow through on an election promise made during the last campaign is admirable in a way – but it must not be done at the expense of farmers' right to determine their future.

It would be far more constructive and forward-looking in my mind to build on the reputation for integrity that the CWB has established with farmers, with suppliers, with customers and other industry players and empower it to be a stronger, more dynamic, more creative organization. This is where the current board of directors wants to take the CWB. As farmer-elected representatives, they want to build on the strength of the single desk while enabling farmers to move up the food value chain. As president and chief executive officer, I plan on doing everything I can to support them so that the CWB remains a relevant presence for many years to come.

We can't let ideology carry the day on this one. We can't let false perceptions and ideology determine the future of an institution that is woven into the fabric of the Prairies. This is about democracy and about the economic future of Western Canada and, in the final analysis, it's about being Canadian and doing what's right.

Thank you again.