

June 2, 2006

The Honourable Chuck Strahl, P.C., M.P.  
Minister of Agriculture & Agri-Food and  
Minister responsible for the Canadian Wheat Board  
Agriculture and Agri-Food Canada  
Sir John Carling Building  
930 Carling Avenue  
Ottawa Ontario K1A 0C5

Dear Minister Strahl:

It is my pleasure to provide you with the 2006-07 Corporate Plan for the CWB.

Consistent with the *CWB Act* and with the mission and vision established by the CWB's board of directors, the Corporate Plan outlines the CWB's expectations for the marketing and financial environment during the 2006-07 crop year. It also profiles the organization's operational activities and provides an overview of the corporate strategies we intend to pursue over the next five years, as well as the actions planned for 2006-07 with respect to these strategies. In particular, I would like to draw your attention to Section 3, which identifies the specific approvals requested by the CWB.

The plan includes references to the Harvesting Opportunity proposal that was shared with you in April, as it is an important enabler of the board's long-term strategic direction. However, we are not seeking approval of the Harvesting Opportunity proposal through this process; rather, this information has been provided to ensure a comprehensive overview of the CWB's strategic direction is provided. Therefore, at this time we are seeking approval of the corporate plan and borrowing plan as attached, excluding the direct references to the Harvesting Opportunity proposal.

The CWB's singular focus of serving the needs of western Canadian farmers continues to be very strong. Farmers are currently facing a multitude of challenges driven by the turbulent environment in which they operate, necessitating innovative solutions from the CWB. We continue to explore new flexible payment options and refine existing ones in order to provide farmers with an array of choices that best suit the diverse needs of their businesses. These have been well received by farmers and are a major contributing factor to the continuing increase in support the CWB is experiencing. We will continue to build on this momentum to seek solutions to the issues facing farmers during the 2006-07 crop year.

If you require further information or explanation with respect to the plan, please do not hesitate to call.

Yours truly,

Adrian C. Measner  
President and Chief Executive Officer

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Attachment

- c: The Honourable James M. Flaherty, P.C., M.P., Minister of Finance  
Laurie Throness, Chief of Staff to the Minister responsible for the Canadian  
Wheat Board  
David Anderson, Parliamentary Secretary (for the Canadian Wheat Board) to the Minister  
of Agriculture and Agri-Food and Minister for the Canadian Wheat Board  
David McLaughlin, Chief of Staff to the Minister of Finance

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Dear Minister Strahl:

Farmer support for the CWB continues to grow despite increasing pessimism among farmers over the state of the agriculture industry in Western Canada. Volatile commodity prices, high input costs, and increasing supply chain consolidation are having significant impacts on the financial well-being of farmers. As part of its fiduciary responsibility, the board of directors has spent considerable time developing an innovative long-term vision and strategic plan to assist in addressing these and other issues to improve western Canadian farmers' ongoing profitability and viability. The Harvesting Opportunity proposal that was shared with you is an important part of that strategic plan, as it simultaneously addresses many of the fundamental issues currently impacting the grains and oilseeds sector in Western Canada. We anticipate there will be further discussions on this topic in the near future.

The board of directors welcomed the removal earlier this year of the countervailing and antidumping duties for exports of hard red spring (HRS) wheat from Canada to the U.S. that had been in place since the fall of 2003. On February 24, 2006, U.S. Customs headquarters notified all American ports of entry that, effective January 2, 2006 (retroactively), imports of Canadian hard red spring wheat would no longer be subject to any duties. Despite this positive outcome, efforts by the U.S. and the EU to constrain the operations of the CWB within the WTO negotiations are expected to continue.

As a result of the Doha round of WTO negotiations, the Government of Canada's payment and borrowing guarantees will be withdrawn if an agreement is reached, which will fundamentally impact how the CWB operates. This is a concern to western Canadian farmers, who are urging the CWB to work with the government to determine how the industry will operate in the absence of the guarantees. Despite this risk, the CWB is optimistic that the negotiations could improve the trade environment for western Canadian farmers by reducing trade distorting domestic support, improving

market access, eliminating export subsidies and ensuring credit and food aid are not used as disguised export subsidies. In addition, the board believes that decisions regarding what marketing system exists in western Canada should be made domestically by farmers, not as part of a WTO discussion. To this end, the board supports and appreciates the strong position that the Canadian Government has taken in the negotiations regarding state trading enterprises (STEs).

The CWB has achieved significant progress since the 15 member board of directors, 10 of whom are elected farmer representatives, assumed control of the organization. The CWB has demonstrated the responsiveness and flexibility farmers are seeking by offering them the programs and services they require to effectively run their farming operations, all within the realm of the single-desk. These efforts, among others, have contributed to increased farmer support for the organization across the Prairies. Building on this momentum, the board of directors will continue to represent the interests of farmers on marketing-related issues and offer them innovative programs and services to meet their business needs.

The current environment is a challenging one for farmers. However, the board is confident that our strategic plan lays the foundation for future success. We look forward to working with you in addressing the issues facing farmers to secure their ongoing prosperity.

Yours truly,

Ken Ritter,  
Chair, CWB Board of Directors

/sb

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