


**THIS IS EXHIBIT "50"  
REFERRED TO IN THE  
AFFIDAVIT OF WARD P. WEISENSEL  
SWORN BEFORE ME  
THIS 19<sup>th</sup> DAY OF JUNE, 2007**



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A Notary Public in and for the  
Province of Manitoba

May 24, 2007

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

Dear Minister Strahl:

We write to express our great concerns, shared jointly by Canadian malting companies and the Canadian Wheat Board (CWB), about the current market uncertainty created by the timing of the government's proposed regulatory change to western Canadian barley marketing. We are also writing to propose a means to lessen the commercial harm if the proposed regulation becomes effective August 1, 2007.

As we have previously communicated to you, uncertainty resulting from the government's actions is causing disruptions in our industry which, if not addressed, could interrupt malt production, resulting in malting barley shortages and possibly plant shutdowns. The result would be significant financial damage to a vital value-added industry, and negative repercussions for Western Canadian farmers. This situation has already adversely affected the reputation of Canada as a reliable supplier of malting barley and malt, and as a desirable location in which to invest in this business. Both malting companies and the CWB have received very negative comments from some customers.

The timing of the government's proposed change is causing problems for both 2006-07 and 2007-08 business. The CWB and the malting companies have met and discussed potential actions to minimize harm for the remainder of 2006-07 and for 2007-08. Three of these actions would require decisions and direct support from government. These are:

**1. Competitive initial payment for malting barley – 2006-07**

For 2006-07, the CWB would authorize malting companies to cash purchase barley from farmers on the CWB's behalf to enable the companies to access additional malting barley supplies. This approach would cost malting companies additional money beyond what would have occurred without an August 1, 2007 change in regulations, but it is necessary to keep the plants operating. We do not yet know the additional costs that would be incurred through this process. These costs would be the total of premiums that the companies would have to pay over and above the 2006-07 final pool return. We hereby request that the government mitigate the costs that are directly the result of the proposed regulation by increasing the guaranteed Initial Payment to a level that is equal to the March 2007 Pool Return Outlook.

## 2. **Competitive initial payment for malting barley – 2007-08**

From the meeting in Ottawa last week held between officials in your office and selected members of the industry, we understand that your officials favoured the introduction of a competitive initial payment. This competitive initial payment for malting barley could be set at a level that would increase the likelihood that farmers sign delivery contracts and deliver to the pool so that outstanding sales contracts can be fulfilled. While the CWB was not part of those discussions, the details of such a pool might be expected to include:

- Deliveries that are capped at the volume of current outstanding CWB sales.
- An initial payment that is high enough to be competitive with spot cash bids, and that will be adjusted by the government if necessary to remain competitive.
- A pool period of a length no longer than what is needed to logistically allow deliveries of all outstanding contract tonnages.
- Government guarantee of the initial payment, which includes payment to the CWB of any pool account deficit.

It is difficult to define the exact costs to government as the market has been and will continue to be volatile. It would be about \$50 per tonne based on current market values, or about \$50 million for all outstanding contracts, but could be higher or much lower depending on market developments.

## 3. **Tender to the grain handling companies and malting companies**

The CWB would tender to the grain handling companies and malting companies for malting barley required to supply the outstanding sales. The CWB would then deliver this barley to the malting companies at the existing sales contract values, and the government would indemnify the CWB for any losses. The advantages of the tendering approach to source grain for existing contracts would be:

- A transparent cash market in the country as grain companies and maltsters bid farmers to fulfill the tender offers to the CWB.
- Assurance that malting companies will receive their contracted barley at the prices agreed to in these previously-negotiated sales contracts.
- A competitive process that would minimize the cost to government.
- Fully auditable records that would be available for government review to provide assurance that costs were minimized.

The actual cost of this approach would be determined by movements in market prices as the tendering process is executed. If market prices stay firm or go higher, the CWB and malting companies may incur financial losses procuring the barley in an open market. As these losses would be due solely to the timing of the government's proposed regulatory change, we believe that the government should cover these costs. While the actual costs cannot be known until the tenders are executed, current market values suggest that the cost could be \$50 per tonne. However, they could be higher if market

prices rise in response to supply and demand conditions over the next few weeks and months. Conversely, they could also be significantly lower if Western Canada has a 20 per cent larger barley crop (as is forecast), and greater feed wheat supplies (which result in lower domestic feed prices), and if offshore competitors such as Australia return with a larger barley crop. An estimate of the cost, based on today's values, would be \$50 per tonne times 1 000 000 tonnes of outstanding 2006-07 and 2007-08 contracts, or about \$50 million.

The above proposals, or a combination of them, would be the best solution(s) operationally.

It should be made clear that the risks and potential losses that could accrue to the industry are not due to these sales having been made at prices that were too high or too low relative to the market at the time. These sales were made at competitive values. Markets move and selling and purchasing decisions need to be made. The contracting parties negotiated these contracts using the best information available to each side at the time, and we had to assume that the single desk would remain for 2007-08 as there was no indication otherwise until March 28, 2007. The government's own Task Force recognized the necessity last October that a sufficient period would be necessary to clear existing contracts prior to an open market implementation. The malting companies and the CWB cannot be expected to pay the costs that may be incurred as a result of the timing of the proposed regulatory change.

Minister Strahl, the situation is critical. Regardless of past debates on the government's plans and regardless of what other actions may be taken with respect to the proposed changes, we believe that you would agree it is vital to maintain Canada's reputation as a reliable supplier of malt and malting barley, to keep our malting plants operating, and to minimize financial losses to farmers and those companies who have chosen to build this important value-added industry in Canada.

We propose that a meeting occur within the next few days so that the above solutions can be discussed and agreed upon by all parties. We implore you to take leadership on this very serious issue.

Sincerely,

Signed original to follow by mail

Greg Arason  
President and Chief Executive Officer  
The Canadian Wheat Board

Phil de Kemp  
President  
Malting Industry Association of Canada

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c: Yaprak Baltacioglu, Deputy Minister, Agriculture and Agri-Food Canada