

# WE'RE EVOLVING...

Farming has evolved through a vital process of adaptation. When the CWB began more than 70 years ago, farmers faced physical and environmental hardship. Today, farmers have the benefit of technological advancements in the machinery and technology they use, but they face challenges in the marketplace.

Today, the global market is increasingly consolidated, controlled by a handful of very powerful multinationals and distorted by foreign government subsidies. On the surface, the odds seem firmly stacked against Canadian farmers.

Scratch that surface, however, and you will find out why western Canadian farmers continue to persevere. They are employing innovation, ingenuity and dogged determination to overcome the odds.

Inside these pages, you'll find the stories of farmers who have adopted approaches that ensure the survival of their farms. In many cases, their trials and triumphs have affected their families, their communities and their industry.

It is their stories that have inspired the CWB's approach to its business.

- 1935** • The CWB is created and offices are established in Winnipeg, Calgary, Vancouver and Montreal, and London, England.
- 1949** • Parliament amends *The Canadian Wheat Board Act* to extend the CWB's marketing responsibility to encompass oats and barley.
- 1955** • The CWB opens an office in Rotterdam (Netherlands) for seven years.
- 1961** • The CWB makes its first long-term sales agreement with China.  
• The CWB opens an office in Tokyo, Japan, to better serve this important market.
- 1963** • The CWB signs a three-year agreement with the Soviet Union.
- 1972** • The Canadian International Grains Institute (CIGI) is created to promote the Canadian grain industry through educational programming and technical activities. The onsite pilot bakery and mill become important support tools for customers of Canadian wheat.
- 1975** • Members of the CWB's Farmer Advisory Committee become elected rather than appointed.

1935



Adapting to change...  
Capitalizing on opportunities...  
Building a strong base for the future...



1949



1961



1972



1975



# FINDING STRENGTH IN ADVERSITY...

## The story of Red Coat Road and Rail

Viceroy, Saskatchewan is a town that's clearly seen better times. Its old and abandoned buildings have even earned it a place on a Web site listing Canada's ghost towns.

But this community is not dead.

Its lifeline is a stretch of railway that extends 114 kilometres, from Pangman to Assiniboia. In 1997, this stretch of track was one of hundreds of kilometres of branch line targeted for abandonment by CP Rail. The railway argued that traffic on this "rarely used" line was so light, it simply wasn't feasible to run and maintain it any more.

- 1989** • Oats are removed from the marketing authority of the CWB, leaving it responsible for the marketing of western Canadian wheat and barley for export and domestic human consumption.
- 1993** • A Continental Barley Market is created through a federal ministerial decision. The action was challenged and reversed by a federal court ruling. The experiment lasts just six weeks – from August 1 to September 10.
- 1994** • The CWB opens an office in Beijing, China.
- 1995** • The first shipment of "Warburtons" wheat, grown under the CWB's Identity Preserved Contract Program (IPCP), sails from Thunder Bay.
- 1997** • The CWB signs a three-year, 1.2-million-tonne supply agreement with Grupo Altex – one of the largest flour milling companies in Mexico and the primary flour supplier to Grupo BIMBO (Latin America's largest baking company).
- An external Performance Evaluation of The Canadian Wheat Board, authored by Drs. Kraft, Furtan, and Tyrczniewicz, concludes that the single desk adds nearly \$246 million each year to farmers' pockets.

1989





Historically, having an active rail service had been an economic necessity for the small Prairie towns around it. As service disappeared, so too had some of the towns. But before the line could be officially laid to rest, federal legislation dictated that it first had to be offered to short line operators who were

interested in purchasing it. The legislation provided an opening and a clear call to action for the people in the eight communities dotting the 114-kilometre-long line.

“We knew that once the rail line went, so would the communities,” recalls Kevin Klemenz, one of four farmers who founded the producer-owned short line now known as Red Coat Road and Rail (RCRR). “We felt abandoned – like they were just leaving us to fold up. I personally thought, ‘Let’s not do it.’”

It wasn’t easy. The group had to raise \$1.1 million and come up with a plan for how it would maintain the track – and make it profitable. In the meantime, grain companies were pulling up stakes. The iconic wooden grain elevators that once dotted the Prairie landscape were being abandoned in favour of regional, concrete monoliths.

“We were told we were going in the wrong direction – that trucking grain to these huge terminals was the way to go,” Klemenz recalls. “We were actually told by one finance company that we were going against the wave of the future.”

The odds seemed insurmountable. Still, the people here forged ahead, and worked together to raise the money needed to purchase the line. Four farmers – Ed Howse, Loni McKague, Roger Dahl and Klemenz – went above and beyond what might have been expected. These farmers personally signed loans for more than \$500,000 to raise the capital needed to cement the deal.

Now, less than 10 years later, it would be hard to question the group’s decision. Each year, more and more producer cars are loaded here – 584 last year, compared to 144 in their first year of operation. Loading producer cars has saved farmers thousands of dollars in trucking, handling and elevation charges. That money is being reinvested in producer car facilities all along the line – even within a stone’s throw of the region’s main high-throughput terminal.

When Klemenz reflects on the story of the RCRR, he likens it to the CWB’s own beginnings – innovation rooted in farmers’ need to deal with an imbalance of power and have some clout in an industry dominated by companies responsible to shareholders, not farmers.

**“FARMERS WERE GETTING RAKED OVER THE COALS. IN BOTH CASES, WE HAD TO DO SOMETHING.”**

Klemenz says the CWB plays a key role in the success of short line and producer car groups like RCRR – not only because of its role in administering the cars, but also because it is an advocate for western Canadian farmers.

“As farmers, we knew we would be looked after through the CWB and that we had a strong voice to deal with the railways and grain companies,” he said. “We actually feel that the loss of the CWB would mean the loss of our rail line. What grain company would want to unload producer cars?”

Today, Klemenz stands in the tiny rural municipality building that doubles as Viceroy’s credit union and points to pictures on the wall that mark the day the line was officially turned over to the group. The ability to overcome adversity is a strong part of farming history, he says; it is something rooted in the unbreakable spirits of those who call the Prairies home.

“If you believe in your communities – and you’re willing to fight for them – something can be done. If people pull together, this is what can happen.”





# BECOMING STRONGER OVER TIME...

## The Tebbs' philosophy on research and development

Over the years, a lot has changed on the Tebbs' farm near Airdrie, Alberta. At one time, you could barely see the city from their fields of wheat and barley. Now, new business districts and housing developments are nearly touching the farm's edges. Fuelled by Alberta's booming oil and gas industry, it's been almost impossible to contain the growth of places like Airdrie. Like so many other bedroom communities in Alberta, it's straining at the seams and eating up the countryside.

Today, the land that four generations of Tebbs have caringly cultivated for more than 87 years has new value. It's become a lucrative commodity – not for its ability to grow the crops that feed the population, but because it can feed a city's insatiable need for expansion.

- 1998** • The CWB's governance passes into the hands of farmers. Ten farmers are democratically elected by their peers to steer the organization.
- 1999** • The CWB and Canadian Pacific Railway (CPR) reach an out-of-court settlement in a level of service complaint. The \$15 million settlement is returned to Prairie-farmers through the CWB. On the same claim, the CWB reaches a commercial settlement with Canadian National Railway Co. (CN) outside the courts.
  - The CWB begins market development projects for AC Metcalfe – a new barley variety that shows improved agronomic properties for farmers. By 2002, it overtakes Harrington as the leading two-row malting barley variety grown in Western Canada.
- 2000** • The CWB introduces its first Producer Payment Option (PPO). Today, there are four different PPOs – the Daily Price Contract, Basis Price Contract, Early Payment Option and Fixed Price Contract.
  - The Canadian Malting Barley Technical Centre (CMBTC) is opened to provide technical support for customers that purchase western Canadian malting barley.
  - CIGI introduces a pilot pasta plant that enables it to provide expanded customer support and applied research to durum customers.

1998





This year, the Tebbs planted and harvested their last crop on this land. Soon, most of their fields will be engulfed by urban development. It seems only appropriate that, as they prepare to bid farewell to the family homestead and move to a new farm near Olds, Alberta, their family's land has yielded a crop that will be marketed as premium-quality western Canadian malting barley.

It has been a good year – thanks in part to Mother Nature, but also because the Tebbs have access to the tools they need to get the job done. For them, it has meant having the right variety of seed that will not only grow in Western Canada, but thrive in a climate of extremes.

As fourth-generation farmers, the Tebbs have seen a lot of change in the industry – not all of it good. They know that being competitive means having access to new and better varieties that boast better yields and have higher disease resistance characteristics.

The father-son team say being a part of the CWB's Identity Preserved Contract Program (IPCP) is important to their business. This year, the Tebbs chose to grow the AC Metcalfe and CDC Copeland varieties of barley. These varieties, which are promoted through the CWB's IPCP, have all but replaced older varieties that were more susceptible to disease.

**WHENEVER THE OPPORTUNITY HAS COME UP TO HELP DEVELOP NEW VARIETIES THROUGH AN IPCP, THE TEBBS HAVE TAKEN ADVANTAGE OF IT.**

"We're looking for a variety that weighs up good and yields well; more importantly, we want a variety that someone wants," muses Wayne Tebb, Barry's father. "The bottom line is finding a variety you can make money on."

Michael Brophy, the CWB's malting barley technical expert, says varieties such as CDC Copeland emerged from a well-coordinated breeding and registration system. It's a system

that ensures growers are provided with improved agronomic characteristics on yield and disease, while end-use customers – like brewers and maltsters – get a better quality product.

"Maltsters are definitely cautious – they don't want to make any changes in their recipe until they are sure it will not impact quality," Brophy says. "The most important thing to brewers is that customers don't taste a difference."

Brophy says that is why the CWB invests considerable resources in the customer testing of these new varieties and continues to provide technical support for expanding the markets for new varieties.

Throughout the two-year introduction of CDC Copeland, the CWB's team of product development specialists worked closely with researchers at the Canadian Malting Barley Technical Centre (CMBTC) to ensure customers, like those at China's Tsingtao beer, were happy with the changes. Bottled by China's largest brewery, Tsingtao is exported to more than 40 countries and accounts for 80 per cent of the total Chinese beer exports.

"Tsingtao representatives came over to Canada for a month to work hands-on with CDC Copeland in the CMBTC pilot breweries," Brophy recalls. "After their wide-scale testing, they were convinced it wouldn't impact smell, taste or overall quality."

Back on the Tebbs' farm near Airdrie, Barry says this type of product development demonstrates how the CWB adds value for farmers.

"We have to stay on top of these things in order to be able to compete with other countries like Australia and the United States," he says. "There is no point in growing it, unless there is a market for it."



1999



1999



2000



2000





# ADAPTING TO YOUR ENVIRONMENT...

## The story of Elkwater Hutterite Colony

In many ways, a visit to Elkwater Hutterite Colony yields the things you might expect. Its 95 members share a deep sense of faith, communal values and a single-minded work ethic.

At this colony, not far from Medicine Hat, Alberta, purpose is rooted in the religious philosophy that all members are provided for and nothing is kept for personal gain.

- 2001** • A U.S. International Trade Commission (ITC) report concludes that Canadian durum was sold into the U.S. at prices equal to or higher than U.S. durum in all but one of 60 months examined.
- 2002** • The CWB sells its first tonne of Canada Western Hard White Spring (CWHWS) wheat.  
 • Canada's Auditor General releases the results of a special audit examining the CWB's financial accounting. The report concludes that the financial accounting and reporting systems of the CWB are well-managed, economic and efficient.  
 • The U.S. launches its 13th trade challenge against Prairie farmers. This one seeks anti-dumping and countervailing duties on imports of durum and hard red spring wheat from Canada.
- 2004** • Monsanto opts to shelve plans to introduce its Roundup Ready genetically-modified wheat after the CWB and other industry organizations voice their objections on behalf of farmers.  
 • A World Trade Organization (WTO) dispute settlement panel designates the CWB as a fair trader.
- 2005** • Two feed barley pools per crop year are created in order to give farmers better price signals and to improve the CWB's ability to attract deliveries when sales opportunities are favourable.  
 • The Canadian Wheat Board Centre for Grain Storage Research at the University of Manitoba opens.

2001





Making it work means each man, woman and child plays a specific role. Learning that everyone has something to contribute is a value children are taught early in life. Chores at the greenhouse are a regular part of their after-school routine. The women are tasked with all domestic activities, including cooking, cleaning and caring for the children; each man is assigned a job in the colony's highly diversified farming operation.

When it comes to business on the colony, you might be surprised by its obvious embrace of technology. This farm operation is nothing short of state-of-the-art – from the dairy and hog barns to the fleet of farm machinery used to care for the crops.

In fact, every piece of equipment here is fitted with Global Positioning Satellite (GPS) technology, to ensure complete precision during seeding, fertilizer application and harvest.

You couldn't do it any other way, says the colony's manager, John Hofer. Being precise means saving money – something Hofer says is critical when you're operating on razor-thin margins.

**IN THIS ENVIRONMENT, USING EVERY TECHNOLOGICAL TOOL AVAILABLE IS A NECESSITY, NOT A LUXURY, HE ADDS.**

"We're as efficient as we can get," Hofer notes.

When Hofer talks about advances in farming, he talks about the need for maximizing flexibility and applying it to the business. That's where the CWB's Producer Payment Options (PPOs) come in, he says.

"I think they're a very good tool," Hofer says. "We like to use these programs to help our cash flow right after harvest. There are always bills to pay then and this helps."

These days, managing the farm means closely checking commodity prices and taking advantage of the PPOs when it makes sense. The Basis Price Contract (BPC) has helped the colony manage cash flow at these critical times, while the Fixed Price Contract (FPC) has helped them cash in on market rallies.

It was farmers' desire for greater flexibility over individual pricing and payments that prompted the CWB to introduce the PPOs more than five years ago. The PPOs were designed to mimic the open market environment, while preserving the security and benefits of the single desk and price pooling. The PPOs continue to be a way for farmers to manage their own price risk without affecting pool accounts.

For Hofer, managing risk is what it's all about when you're trying to keep a farm viable and support 95 people.

Whether it's a family farm, a corporate farm or a colony farm, Hofer says there's one more element that every operation needs to be successful.

"It's good communication among everyone. Everybody has to know the target and what the goal is. That's really the key."





# SHAPING YOUR OWN DESTINY...

## The story of CWB's board of directors



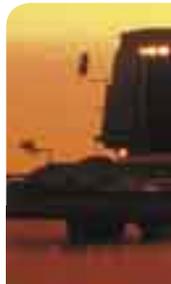
Standing in a field on Ken Ritter's farm near Kindersley, Saskatchewan, you couldn't feel farther away from the complicated – and often cutthroat – world of international trade.

But Ritter – a farmer-elected director for the CWB – has been immersed in that world since he was elected to the CWB's board of directors in 1998. Between U.S. trade challenges and World Trade Organization (WTO) negotiations, rarely a day has passed – even during the busy times of seeding and harvesting – that doesn't see Ritter dealing with a trade issue that affects western Canadian farmers.

Ritter was one of 10 producers who formed the very first farmer-controlled board of directors at the CWB in 1998, following a change in *The Canadian Wheat Board Act* that put farmers in charge of the organization. For those directors, and the ones who followed, life has changed dramatically.

- 2005** • The Value-added Incentive Program (VIP) is created to promote the direct delivery of wheat, durum and malting barley to mills and malting plants in Western Canada.
- The CWB signs a Memorandum of Agreement with China for the sale of one million tonnes of milling wheat in 2005-06.
- 2006** • The CWB unveils its vision for the future of the organization – *Harvesting Opportunity*. It builds on the competitive advantage of the single desk and outlines a plan to transform the CWB into a non-profit, non-share capital corporation that operates completely independently of government.
- Western Canadian wheat begins to flow into the U.S. following a ruling by the U.S. International Trade Commission (ITC) to reverse a previous injury ruling. Anti-dumping and countervailing duties previously applied to Canadian hard red spring wheat imports are lifted.
- The CWB unveils a flexible grain delivery system that will enable farmers in a select region to trade delivery periods among themselves. The Delivery Exchange Contract (DEC) pilot program launches in the 2006-07 crop year.
- Western Canadian producers use 11,000 producer rail cars – the highest number in 15 years.

2005



“There’s no doubt it impacts the development of the farm, because it takes your time away when you’re travelling to Geneva for WTO talks and then you’re off to Winnipeg for board business,” he says. “But I think it’s important to the board and the board is important to farmers.”

Ritter says the 1998 governance changes were a milestone in the board’s history. It marked the beginning of a new era – one where the board shed its status as a government-controlled agent of the Crown, and emerged as a farmer-controlled marketing powerhouse. The changes made the organization directly accountable to farmers, by acknowledging that the people who paid for the organization should also sit as a majority around its board table.

There was no shortage of commitment, but the learning curve was steep.

“We showed up in Winnipeg and had no code of conduct, no bylaws, nothing,” Ritter says, remembering that first board meeting. “We had a clean slate. Most of us had never met. It was a huge period of growth for everybody.”

Still, it wasn’t long before Ritter faced his first U.S. trade challenge as the chair of the CWB’s board of directors. Since 1998, the CWB’s board of directors has seen eight trade challenges launched, fought and won. Over the past 16 years, there have been 14 American-led trade challenges in total; in each and every case, the CWB was ultimately exonerated as a free and fair trader.

Ritter says making western Canadian farmers the main voice at the CWB’s board table has been an important part of winning these challenges. Farmers are being heard at meetings with high-level trade officials, giving them the opportunity to clear up myths and personalize the message.

“I think it’s a lot easier to deliver a message coming from Canadian grain producers if it’s a farmer who delivers it,” he says.

Farmers, by necessity, are cut from a hardy cloth, and Ritter says the same dogged determination that’s kept him in the business of farming has also formed the backbone of his negotiating philosophy.

**“I’VE BEEN IN A LOT OF SITUATIONS WHERE PEOPLE PUSH AND YOU HAVE TO PUSH BACK,” HE SAYS. “THE WORLD OF TRADE IS NOT A NEAT, IDEALISTIC PLACE AND YOU DON’T GET VERY FAR BY BEING A PUSHOVER.”**

Perhaps it was that dogged attitude that helped clinch another major trade victory for western Canadian farmers. On Friday, February 24, 2006, U.S. Customs headquarters in Washington, D.C. notified American ports of entry that imports of Canadian hard red spring wheat were no longer subject to any duties. The notification cemented a major North American Free Trade Agreement (NAFTA) win for western Canadian farmers and meant that Canada Western Red Spring (CWRS) wheat could again freely enter the lucrative American market.



The victory marked the end of a two-and-half year chapter of trade battles with American protectionist interests. Although the CWB has been exonerated in each trade challenge, Ritter knows the harassment isn’t likely to end. Recognizing that the CWB gives western Canadian farmers clout in the global marketplace, American wheat growers have lobbied their lawmakers to adopt a multi-faceted, long-term plan of attack.

Having western Canadian farmers like Ritter on the CWB’s board ensures that the determination to fight won’t fizzle on this side of the border. Too much is at stake.

“You fight for what is right. You don’t give up just because the Americans don’t like it,” Ritter says. “The future of my farm, and my neighbour’s farm, depends on it.”

