THIS IS EXHIBIT "23"
REFERRED TO IN THE
AFFIDAVIT OF WARD P. WEISENSEL
SWORN BEFORE ME
THIS 19th DAY OF JUNE, 2007

A Notary Public in and for the
Province of Manitoba

CWB
The Canadian Wheat Board
La Commission canadienne du blé

April 21, 2006

CONFIDENTIAL

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

Dear Minister Strahl:

Re: Process for Nomination and Appointment of CWB Directors

As you are aware, the *Canadian Wheat Board Act* provides for 10 directors to be elected to the CWB board of directors and five directors, including the president, to be appointed by the Governor in Council on the recommendation of the Minister. Considering that a vacancy on the board of directors could occur as early as this June with the expiration of Lynne Pearson's term, the CWB board has contemplated the process for the nomination and appointment of directors and wishes to put forward the following proposal.

Sound corporate governance requires that a board of directors establish a list of the skills and experience needed on the board and then make a regular assessment of the collective skill set to identify any gaps that need to be filled. The CWB board maintains a list of director qualifications, which includes the recommended traits of all directors as well as the additional skills, experience and strengths of value to the board. (A copy of the current list is attached for your reference.) This list assists to identify which skills are lacking on the board.

In the past, when a vacancy has existed on the board, the CWB has provided the list of qualifications to the Minister and identified the skills most needed in the next appointee. However, our board now wishes to transition to an appointment process that would allow it to have a more direct role in ensuring that the skills most needed on the board are attained. This new process would be consistent with the advice of the CWB Election Review Panel, which recommended that, with respect to appointed directors, the Minister appoint directors on the recommendation of the elected CWB board (Recommendation #13.1., *Report Respecting the Review of the Electoral Process for Election of Directors of the CWB*). This recommendation is also consistent with the feedback that the CWB has received directly from farmers, who desire more farmer control of the corporation.

While our preferred appointment model would be for the CWB to be granted authority to appoint outside directors directly, we are proposing that a transitional model be implemented for the immediate future. Under this proposed model, the CWB would identify the skills to be sought in the next appointee, and, through the use of a professional search firm, select three qualified individuals to comprise a short list. The CWB would then present this short list of qualified individuals to you as Minister for recommendation of your preferred candidate. In this way, the CWB would ensure that the individual appointed would complement the skill set of the board, while the Governor in Council would retain the final appointment authority.

CWB

It is important to note that a similar process was used for the nomination and appointment of the president in 2002, when the board retained a professional search firm and recommended its preferred candidate to the government.

In light of the time required to identify three qualified candidates and the limited time available before a vacancy on the board could occur, I would appreciate your early consideration of our proposal. I am available to discuss this matter at your convenience.

Sincerely,

Ken Ritter

Ken Ritter
Chair, board of directors

KR/dlh
2925q

Attachment

c: Mr. Laurie Throness, Chief of Staff

20-05CH.doc

Director Qualifications

Recommended Traits of all Directors

- Commitment to the success of the organization
- Ability to act decisively, with tolerance for risk
- Ability to think strategically, set direction and be innovative
- Results orientation
- Fairness, open-mindedness
- Ability to influence others and to take value from others' contributions
- Ability to delegate
- Ability to compromise and to work with others to build consensus
- Self awareness
- Ability to exercise independent judgement
- Highest integrity and ethical standards
- Ability to communicate effectively
- Strong interpersonal skills
- Respected community leader
- Commitment to continuous learning
- Computer literacy
- Availability to serve

Additional Skills, Experience and Strengths of Value to the Board

- Finance (including accounting, corporate finance, investment banking, capital markets, treasury and risk management expertise)
- Governance (including subsidiary governance)
- Corporate board experience
- Business experience (including international business)
- Grain industry experience (including farming and agricultural policy experience)
- International trade
- Law
- Government relations
- Public relations (including farmer relations)
- Human resources (including pension expertise)
- Information technology

Other Considerations

- Diversity

CWB Board of Directors
March 2, 2006
2915q

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MARKETING CHOICE - THE WAY FORWARD

REPORT OF TECHNICAL TASK FORCE ON IMPLEMENTING MARKETING CHOICE FOR WHEAT AND BARLEY

October 25, 2006

Prepared by:

Howard Migie, Chair
Mike Bast
Brenda Brindle
Rob Davies
John Groenewegen
Bruce Johnson
Paul Orsak

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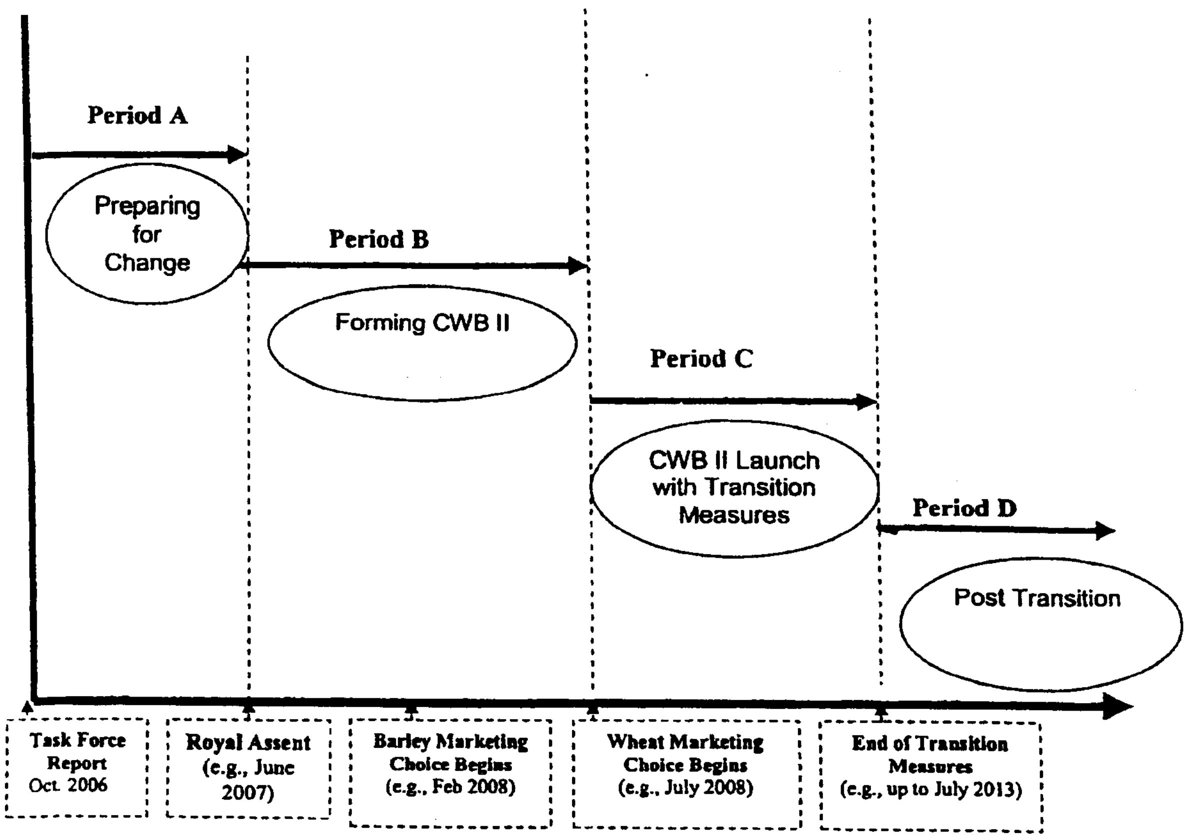
EXECUTIVE SUMMARY

The Task Force was established to address technical and transition issues for the Canadian grain industry related to the change to an environment where farmers will be able to sell wheat and barley to any domestic or foreign buyer, including a transformed CWB (CWB II).

The Task Force envisages a thriving and competitive Canadian grain industry, in which innovation, entrepreneurship, investment, market responsiveness and individual initiative are encouraged.

A CWB II that is owned by farmers can create value for them by buying and selling their grain, serving its customers and reducing supply chain costs. The Task Force recommends that the CWB prepare a business plan for marketing choice as soon as possible.

The Task Force recommends a four stage transition from a CWB with monopoly powers to a marketing choice environment as follows:



The recommendations respecting each of the four stages are as follows:

Preparing for Change – Period A

A1. The Government put a Bill before Parliament to repeal the Canadian Wheat Board Act and create a new Act providing authority for a new commercial entity - CWB II - and for the proposed transition measures.

A2. The Government, at an early date, announce its intention to end the monopoly for barley and start marketing choice for barley on January 31, 2008; and end the monopoly for wheat and start marketing choice for wheat on July 31, 2008 to coincide with the timing recommended in the section on period C, assuming Royal Assent by June, 2007.

A3. The Government direct the CWB to prepare for a successful transformation to an organization without monopoly powers. The Government needs to ensure the creation of an environment that is supportive of the transformation of the CWB.

A4. The Government initiate a process for the selection of a CEO, not excluding the incumbent, who would serve from early in period B for approximately 2 years. The CEO would oversee both the CWB and CWB II. The selection process would involve setting up a search committee that could include supportive members of the CWB Board of Directors, a public search for candidates, and the selection of a short list of 2 to 3 names that would be referred to the Minister in order for him/her to recommend a selection to Governor in Council for early in period B. The Government should determine the compensation package for the CEO to be paid by the CWB until the Board of Directors of CWB II can determine the compensation for the CEO of CWB II.

A5. The CWB consider the implications for CWB II of any financial or sales commitments beyond the beginning of period B for barley and period C for wheat and for durum.

A6. The Government develop a communications strategy that would begin soon after the release of the Task Force report to explain the implications of marketing choice and the steps to achieve it. This would include the Government informing farmers, CWB customers, and Canada's trading partners about the changes being made by the legislative initiative.

Forming CWB II – Period B

B1. The Government appoint, for a 2 year period, an interim Chief Executive Officer upon passage of the new Act to assume the management of the existing CWB, to continue to operate the monopoly in Period B and to lead transition to CWB II.

B2. The Government appoint an Interim Board of Directors upon passage of the new Act to oversee the transition to CWB II from that point in time until the shareholders of CWB II elect a Board of Directors. Directors on the current Board could be eligible to be Directors on the Interim Board.

B3. CWB II:
- review the Business Plan prepared by the CWB for the future of CWB II;
- establish procedures for the sale of shares to Western grain farmers;
- establish procedures for election of a new Board of Directors by shareholders;
- compete for forward sales into Period C and beyond
- develop programs to attract and secure producers grain in period C.

B4. The CWB's liabilities related to past export sales on government guaranteed credit should be transferred to the Government and some portion of the CWB's accounts receivables and cash/deposits be transferred to the Government with the remaining portion to be transferred to the CWB II. The portion transferred to CWB II could be determined by the government based on cash needs, but should not exceed $75 million.

B5. Shares in CWB II be valued at $1 per share and that the number of shares be such that the total share value equal the assets of the CWB at the beginning of period B. Farmers' eligibility for shares should be established by declaration. During an initial share sales period of 3 months, these shares would be sold to Western grain farmers in the designated area at the value of $1 per share with a limit of 2000 shares per individual. For a subsequent share sales period of 3 months, any remaining shares would be sold to Western grain farmers in the designated area without restriction.

B6. CWB II would be free to acquire assets.

B7. The Government fully assume the current level of contributions of the CWB to the Canadian International Grains Institute (CIGI), Canadian Malting Barley Technical Centre (CMBTC) and the Western Grain Research Foundation (WGRF) for a period of 3 years during which time these institutions would be asked to develop alternate funding arrangements to be implemented in the fourth year.

B8. The Government assume financial commitments that the CWB has made to fund initiatives at the universities or other similar commitments.

B9. The Government continue the communications strategy with a focus on informing farmers about how they can become owners of CWB II, how CWB II will operate, what marketing options will be offered by the new entity and that contracts with CWB II are expected to be more precise and be enforced.

CWB II Launched With Transition Measures – Period C

C1.1 Continue the government financial guarantee on borrowing up to a limit of $200 million, over 2 to 5 years, with oversight by the Minister of Finance. The amount of utilization of the limit is to be determined annually by the volume of business, with a restriction that the funds be used only for operating credit i.e. working capital and inventory financing. This would provide producers assurance that they would be paid for deliveries to CWB II and give CWB II access to capital at low interest rates for an adjustment period, with a value of about $10 million.

C1.2 Transfer the CWB-owned hopper cars, contingency fund, separate account and CWB building to the CWB II, with a value of about $110 million.

C1.3 The Agri-Food Credit Facility, which is a special credit program for non-sovereign credit currently available to the CWB, should be continued for the benefit of CWB II until the end of Period C. The value of this is about $0.4 million per annum.

C1.4 Government to assume the obligations of the CWB for severance costs related to reductions of CWB permanent staff, if any, in the transformation to CWB II. This would be the responsibility of government as it is related to ending the old CWB as a shared-governance corporation under the CWB Act.

C2.1 CWB II would be free to market a range of Canadian crops grown both inside and outside the designated area, as well as crops from origins other than Canada.

C2.2 CWB II would be free to acquire assets.

C2.3 CWB II should not administer cash advances for wheat and barley and the Government should investigate other options for administering wheat and barley cash advances.

C2.4 CWB II should have no regulatory powers after the start of period C.

C3.1 Remove the monopoly for barley after six months into Period B (or at the start of the next pool period after the expiration of six months) and for all wheat twelve months after the start of Period B (or at the start of the next pool period after the expiration of twelve months). Assuming that legislation would be passed in the first half of 2007, barley could be changed for February 2008. The CWB II would be formed during the 2007/08 crop year, it would have a monopoly on wheat for the 2007/08 crop year, and the monopoly powers would end on July 31, 2008. If legislation is not passed until late 2007 or early 2008, the monopoly powers for barley and wheat could be extended accordingly.

The following is a summary of the financial transition measures:

1. Federal Government takes on CWB liabilities rather than to CWBII:

Commitment to CIGI for 3 years	$ 5.37 million
Commitment to CMBTC for 3 years	0.25 million
Commitment to WGRF for 3 years	12.00 million
Commitments to other institutions (e.g. Universities)	1.53 million
Obligation for CWB staff severance costs	uncertain
Total Value	**$ 19.15 million plus severance**

2. CWB assets transferred to CWBII

Hopper cars (net book value, July 31, 2005)	$ 12.5 million
Contingency fund (estimated at July 31, 2007)	60.0 million
Separate account	2.0 million
Building, furniture, equipment, autos, software (net book value, July 31, 2005)	35.2 million
Total Value	**$109.7 million**

3. Proposed share offering

Sale of shares to producers in Period B	**$109.7 million**

4. Continuation of Federal Government Guarantees

Lower interest rate benefit of:	
- Continuation of Agri-Food Credit Facility until the end of Period C	$0.4 million
- Continuation of guarantee of CWB borrowings for up to $200 million for 2-5 years for operating credit only	10.0 million
Total Value	**$10.4 million**

5. Debt/Assets related to past credit sales (JULY 31/07)

Liabilities transferred to Government	$ 1.3 billion
Matching assets transferred to Government	- 1.3 billion
Provide CWBII with a portion of CWB cash/deposits resulting from payment of foreign sales credit for which debt has not been discharged	not more than **$75 million** (and only if needed)

CWB II Post Transition – Period D

D1. CWB II after the end of transition measures should have no ongoing government financial support, and no regulatory powers.

D2. CWB II should have no restrictions on who can own shares but should retain majority control by Western grain farmers.

D3. CWB II should be free to acquire assets.

D4. CWB II should be free to market a range of Canadian crops grown both inside and outside the designated area, as well as crops from origins other than Canada.

D5. CWB II should implement a mechanism for trading shares bought by Western grain farmers in period B, and as well as a mechanism for issuing additional shares, if desired, to raise capital.

The following recommendations are to ensure competition in grain handling and transportation:

1. The Government should amend the Canada Grain Act (CGA) in the spirit of the Compas Review recommendations and also to 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.

2. The Canadian Grain Commission (CGC) should address issues that may arise regarding access to producer cars in a marketing choice environment. The CGA should be strengthened if necessary to assure access to terminals for producer cars, with safeguards to protect against terminals becoming congested with unsold grain.

3. The Government should move forward quickly with measures to enhance rail competition, such as improvements to the shipper protection provisions in the Canada Transportation Act. However, these issues should be addressed separately, rather than tying these directly to the transition to marketing choice.

In its package of recommendations, the Task Force has sought a balance between giving CWB II financial transition measures and sufficient time to have a high probability of success, yet encouraging existing and new investors to participate in the Canadian grain sector while providing farmers with marketing choice. 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.

1.0 OUR TASK

The Government of Canada has committed to provide greater marketing choice to western grain farmers, while preserving a strong and viable Canadian Wheat Board as one of those marketing choices. On July 27, 2006, the Government hosted a roundtable discussion of options for implementing this commitment. Recommendations of that Roundtable included:

- Set up a task force to identify the ongoing and transitional issues that need to be addressed prior to implementing marketing choice and to propose how to address these issues.
- Communicate clearly what marketing choice will mean for producers and other grain industry stakeholders.

On September 19, 2006 the Minister of Agriculture and Agri-Food (AAFC) and Minister for the Canadian Wheat Board (CWB) issued the following statement, "Canada's new government remains committed to providing freedom of marketing choice for farmers, to allow them to maximize their returns while still ensuring a strong, viable, voluntary CWB." On that day, the Minister also established a Task Force, with the following Terms of Reference:

The task force will:

- comprise up to nine experts who are knowledgeable in grain marketing, including a senior executive from AAFC as chairperson. A representative of the Canadian Wheat Board has also been invited to participate (the CWB later declined the invitation);
- identify and evaluate any technical or transitional aspect of the Canadian grain marketing system that could change with the CWB being a voluntary entity and any technical or transitional aspect of a voluntary Canadian Wheat Board including, but not limited to, how the CWB would acquire a capital base, how to deal with export credit receivables, and how to separate and fund market development and research activities through an industry council;
- meet affected industry and producer groups as deemed necessary by the task force to understand and address the technical issues;
- produce a report with recommendations on technical and transition issues for the Minister of AAFC to be completed approximately four weeks after the first meeting.

The mandate of the Task Force was to determine and describe how marketing choice could be implemented.

2.0 WHAT MARKETING CHOICE MEANS

Marketing Choice means that wheat and barley farmers will be able to sell wheat and barley to any domestic or foreign buyer of their choice, including a transformed Canadian Wheat Board (CWB II). "Marketing Choice" is a better term to describe the new environment than "dual marketing". The latter term implies to some that the existing marketing approach (a CWB with monopoly powers) could co-exist with an open market approach. This is not possible. Marketing choice implies an open market in which CWB II, as an entity operating in that open market, will be a vigorous participant through which producers could voluntarily choose to market their grain. To achieve this, the existing CWB will need to transform itself over a transition period into CWB II. For this 'choice' to occur, CWB II needs to have a high probability of success in an environment where it will have to compete for business. One of our focuses has been on creating the environment for a high probability of commercial success for CWB II.

3.0 A COMPETITIVE GRAIN INDUSTRY

Traditionally, the Western Canadian grain marketing system has focused on the sale of bulk commodities. The CWB was established to collect similar types of wheat and barley from a large number of small producers, pool the product, sell it on the basis of quality standards in domestic and export markets, and provide individual producers with a share of the proceeds. But now, farms are very different from one another, with different cost structures and different products. Their business plans, needs for storage and cash flow, and their marketing approaches are no longer homogeneous. Lower cost producers, often in new exporting countries, challenge western farmers and their traditional markets. Efficiency and competition in the handling and transportation system continue to be paramount to Canadian farmers in order to competitively get products to markets.

Consumer demands, from North America and around the globe, for differentiated products are driving changes in the way grain is marketed. New uses such as biofuels and industrial usage are expanding the markets for grains but at the same time have different requirements than the traditional uses of food and feed. The days when millions of tonnes of wheat were marketed to state buying agencies on standard grades alone have passed. Users are more diverse, with some seeking more assurances on quality and safety factors and some buyers wanting to build closer relationships with their supply chain. Farmers, grain handlers and processors require more flexibility to make their own decisions and determine which approach makes the most business sense for their particular operation.

The future success of the industry, and the individuals within it, will depend on fostering an environment where innovation, entrepreneurship, investment, market responsiveness and individual initiative are encouraged. Producers are entrepreneurs who take on the risk, effort and cost of producing a particular product, with the objective of earning a return on their labour and capital commensurate with the risk. They are best placed to judge what combination of enterprises and marketing strategies makes the most sense for their particular operation in any particular year. Producers and other industry players should have the opportunity to explore new markets for wheat and barley as well as be able to develop new marketing tools. Government has a key role to play in ensuring a positive business climate including an appropriate competitive market structure that provides for better transfer of market signals between farmers and end-use customers.

During its deliberations, the Task Force was guided by the fore-going context and by a vision of a thriving and competitive grains and oilseeds sector in which producers have a reasonable opportunity to maximize their returns.

Where does CWB II fit within this context? Rapidly changing markets create challenges for the sector but also new opportunities. CWB II can successfully find a role, if the organization has the will and the appropriate economic model to make it happen.

4.0 HOW CWB II COULD OPERATE:

The Task Force believes that a CWB II that is owned by farmers can create value for them, while buying and selling their grain, maintaining some of its customers and reducing supply chain costs

CWB II – Owned by Farmers:

The CWB is a shared-governance corporation which markets wheat and barley on behalf of western farmers under authority of the CWB Act. Producers own no shares in the CWB. In the process of changing to a marketing choice environment, the CWB will be transformed into CWB II. The ownership and governance structure of CWB II has to be determined. There are various approaches that could be workable, including a co-operative structure or a share-capital structure.

A significant segment of western farmers want CWB II to be a producer-owned and producer-controlled entity. The Task Force considered various ways in which producer ownership could be established, such as based on past deliveries to the CWB, past production of wheat and barley, past value of sales of all crops, or area of farmland owned. However, since what is being created is an entity to operate in the future, the Task Force believes that it would be more appropriate to establish ownership in a forward-looking fashion rather than on some historic basis.

Going forward and consistent with the theme of choice, the Task Force believes that farmers should have the option of becoming owners of CWB II or not. If they believe in the need for CWB II, they should show their support for it by investing some money in it to become an owner. This would have the added benefit of raising additional capital for CWB II.

The management of CWB II should establish the mechanics of a share offering. As an example for illustration, it could offer about 100 million shares at a value of $1 each to prairie farmers. The capital value of CWB II that they would be buying into would be considerably greater than the cost of these shares, as some existing CWB assets would be transferred to CWB II, so farmers would have an incentive to buy shares. Those farmers who bought shares would have ownership and voting rights for the CWB II Board of Directors proportional to their shares. The Board could consist of, for example, 7 elected producers and 3 non-elected Directors. With the completion of the transition to marketing choice, the Board of Directors would be free to decide whether shares could be offered to non-farmers, and what mechanism they would establish for trading of shares.

The Basis of the CWB II Business Model

A CWB II that is owned by farmers can create value for grain producers through buying and selling their grain, maintaining and sustaining its customers, and reducing supply chain costs. The Task Force offers the rationale for, and presents this one possible business structure as an example for consideration, and which it includes in the recommendations for Period B

In this possible business model, the existing CWB can leverage at least four strengths as it transforms to the CWB II:

- Customer relationships and a thorough knowledge of their requirements,
- A solid reputation for pricing, delivery and contract execution with buyers,
- A segment of loyal producers, with many producers wanting to have a producer-controlled grain marketer, and
- Experience in operating a pooling system for producers.

CWB II - Creating Value for Farmers:

The CWB II can create value without monopoly selling powers. Value capture and creation occurs through the following possible actions:

- Raise some activities and factors above industry standards, such as:
    - Helping users grow their business through assisting users in product development;
    - Offering producers innovative financing and pricing products (including pools) not offered by competing grain companies;
    - Selling grain based on customer specifications.
- Create new factors and activities:
    - Offering customers product bundles that include attributes such as traceability, food safety protocols, variety specific shipments.
- Continue with sources of differentiation:
    - Offering of price pools for producers who want to use this pricing and risk management tool.
    - Create a unique mix of contracted services and owned facilities
- Eliminate activities and assets that CWB II would not require:
    - Flexibility to choose asset ownership or to contract for use of others' assets throughout the supply chain, whichever is at a lower cost;
    - Evaluate function and role of existing CWB operations and departments that may not required by CWB II, and possible sale of these services to other industry players, or transfer them to an industry or government body that would operate them for the good of the Canadian grain industry (e.g., weather department, transportation department, policy function, etc.);
    - Eliminate regulatory delivery and enforcement.
- Reduce some activities, such as advocacy which can be handled by other farm groups.

The strategic thrust of CWB II to capture value for grain farmers can be achieved via three broad action areas:

- Actions to secure sufficient volumes of grain from growers for CWB II to be a relevant player in the marketplace;
- Actions to maintain its customer base, who have relied on the CWB for supplies in the past;
- Actions to reduce supply chain costs to offer value to producers and customers.

CWB II - Buying Grain from farmers:

A segment of producer loyalty is one of the current CWB's strengths and this can be leveraged by CWB II locking up supplies from competitors, as follows:

- Design contracts that are producer friendly;
- Offer multi-year volume and acreage contracts;
- Offer new financing and pricing products for farmers;
- Maintain pool options;
- Offer identity-preserved (IP) solutions, including non-KVD grains, for specific end use customers;
- Maintain a profile in the farm community through farmer ownership;
- Offer these services to all grains, oilseeds and special crops.

CWB II – Sustaining Foreign and Domestic Customers:

The existing CWB has considerable brand equity in the international marketplace, which can be leveraged by CWB II. This does require having access to a significant volume of grain. Actions to maintain the customer base include:

- Secure significant volumes of grain;
- Offer competitive prices to buyers based on low supply chain costs;
- Understand and meet buyer requirements;
- Offer solutions to customers to grow their business.

Preparing for Change – Period A

(From date of submission of this Task Force Report until the new Act is given Royal Assent)

Period A covers the time from the date of submission of this Task Force report until the new Act is given Royal Assent. The duration of this period will be dependent on the drafting and passage of legislation.

Considerations during period A:

- Governance structure, ownership structure and any other provisions for legislation will need to be defined as will transfer and transition measures with sunset clauses.
- If the CWB Board of Directors is opposed to marketing choice, some government oversight may be needed to prevent the Board of Directors from undermining the possibilities for long-term success of CWB II.
- The CWB has operated for 70 years in a certain manner and cultural change to a marketing choice environment cannot occur without the organization embracing change and taking actions to champion the change to marketing choice.
- Grain merchandising companies who want to enter into wheat and barley marketing may position themselves during this period to gain a later advantage, but uncertainty of timing of the completion of legislation will limit their ability to do so.
- The existing CWB may have to exercise restraint in entering into contracts that make commitments beyond the date of termination of the monopoly, to avoid a liability for the CWB II that it is unable to fulfil in the choice environment.
- Legislation should require that CWB II be a 100% farmer-owned entity until trading of shares is permitted in period D.

Recommendations for Period A

The Task Force recommends that:

A1. The Government put a Bill before Parliament to repeal the Canadian Wheat Board Act and create a new Act providing authority for a new commercial entity - CWB II - and for the proposed transition measures.

A2. The Government, at an early date, announce its intention to end the monopoly for barley and start marketing choice for barley on January 31, 2008; and end the monopoly for wheat and start marketing choice for wheat on July 31, 2008 to coincide with the timing recommended in the section on period C, assuming Royal Assent by June, 2007.

A3. The Government direct the CWB to prepare for a successful transformation to an organization without monopoly powers. The Government needs to ensure the creation of an environment that is supportive of the transformation of the CWB.

A4. The Government initiate a process for the selection of a CEO, not excluding the incumbent, who would serve from early in period B for approximately 2 years. The CEO would oversee both the CWB and CWB II. The selection process would involve setting up a search committee that could include supportive members of the CWB Board of Directors, a public search for candidates, and the selection of a short list of 2 to 3 names that would be referred to the Minister in order for him/her to recommend a selection to Governor in Council for early in period B. The Government should determine the compensation package for the CEO to be paid by the CWB until the Board of Directors of CWB II can determine the compensation for the CEO of CWB II.

A5. The CWB consider the implications for CWB II of any financial or sales commitments beyond the beginning of period B for barley and period C for wheat and for durum.

A6. The Government develop a communications strategy that would begin soon after the release of the Task Force report to explain the implications of marketing choice and the steps to achieve it. This would include the Government informing farmers, CWB customers, and Canada's trading partners about the changes being made by the legislative initiative.

Forming CWB II – Period B

(From the date of Royal Assent of the new Act until marketing choice begins for wheat)

Period B covers the time frame from the date of Royal Assent of the new Act to the effective date of marketing choice for wheat at the beginning of Period C. During this time, it is recommended that the monopoly for barley be removed and the new organization with its new governance and ownership be put in place. Transfers of authorities, assets and liabilities from the old CWB to CWB II are arranged to happen at the start of Period C.

Considerations In Period B:

Elimination of the export monopoly will create both opportunity and uncertainty for grain companies and the new CWB II. Consolidation may occur with a significantly different operating environment, or new companies may emerge to take advantage of the opportunities that are unleashed. Each player, including CWB II, has different advantages and disadvantages. There are also different degrees of preparedness and capacity to adapt within 'grain companies' and users, so some time is needed for adjustment.

In this change environment, some points to consider include:

- Predictability is important to adapting

- There will be winners and losers as part of the adjustment to marketing ch

- CWB has to make the biggest changes of any stakeholder, as it has to set u governance, which others don't have to do, but it has no planning in place t prepare for marketing choice,

- The government has a policy interest in ensuring CWB II is given a high probability of success

- The Saskatoon meeting of marketing choice supporters, primarily farmers, said that transition measures should give CWB II a high probability of success in a marketing choice environment, but not so strong as to be unfair to other entities.

- Therefore, it is appropriate that CWB II be given a package of transition measures to get started but that these should exist for a limited time or be tempered so as not to distort the marketplace.

The Task Force recognizes that the ending of the monopoly powers is a significant change, such that the CWB II will have to operate in a different way than the CWB has in the past. If the CWB II is not well prepared to enter into the new, competitive environment, there is a significant risk of its failure. Some of its competitors have advantages over the CWB II - experience in sourcing grains in a competitive environment, existing handling facilities, and the ability to add Western Canadian wheat and barley marketing to their activities to the extent and on a time frame that they choose.

This will be a period of adjustment, with the nature of adjustment difficult to predict. The CWB II will have to focus on relations with farmers, customers and logistics providers if it wants to be successful. The success of the CWB II will depend on producer decisions about whether to support it or not. The CWB II may purchase in the cash market as well as offering pools. New mechanisms may emerge to facilitate marketing, such as the clearinghouse for grain transaction security, and new contracts for durum, high quality milling wheat and barley on the Winnipeg Commodity Exchange.

Other points to consider include:

- While actions are being taken by other grain companies and the CWB II, the existing CWB continues to function with the monopoly for wheat and durum for this entire period. The monopoly for barley will be removed at the start of the next pool period at least six months after Royal Assent. Sales can continue forward into Period C, but contractual commitments beyond the end of period B have to be arranged carefully to avoid obligations that the transformed CWB II may not be able to meet in future.

- Pools of less than a year may be needed to cover the periods until the launch of the new marketing choice environment for barley, wheat and durum. For purposes of the report, six month pools are referred to, but these could be of different lengths depending on the desired time frame to cover in transition.

- Grain merchandising companies who want to enter into wheat and barley marketing will be positioning for the launch date for barley initially and subsequently for wheat and durum.

- Oversight of CWB may be needed to ensure that it does not act to compromise the transformed CWB II. Oversight of CWB II is needed to ensure that it does not act to gain an advantage later over competitors or to hinder the effective transition while the monopoly powers continue to exist.

- Transfers of assets, liabilities and resources from the CWB to CWB II have to be concluded. The CWB's assets from past export credit sales have declined from a high of $ 7.2 billion on July 31, 2000 and are expected to further decline from about $1.3 billion on July 31, 2007 to less than $300 million by July 31, 2010. As a result net interest earnings on money owed to the CWB by customers on past grain sales is declining from an average of $66.2 million in the five years ending July 31, 2006 to likely under $5 million for 2009/10.

- The Winnipeg Commodity Exchange will need to commence trading of their new futures contracts for durum and milling wheat, and the revised contract for barley to ensure effective price-discovery/hedging mechanisms.

- The commercial grain and oilseed sector should consider developing an industry based dispute resolution process to hear, adjudicate and enforce its rulings with respect to disagreements and/or oversights in commercial transactions.

- While the CWB will transfer the marketing of grain to CWB II, it may take a number of years to completely wrap up the business affairs of CWB.

- Delaying the selling of shares by farmer shareholders until Period D at which time CWB II's Board of Directors will have established a process for trading shares, will establish its farmer ownership of CWB II.

- The Canadian Grain Commission will have to review security held by CWB II and by licensees who begin to market wheat and barley.

Recommendations for Period B

The Task Force recommends that:

B1. The Government appoint, for a 2 year period, an interim Chief Executive Officer upon passage of the new Act to assume the management of the existing CWB, to continue to operate the monopoly in Period B and to lead transition to CWB II.

B2. The Government appoint an Interim Board of Directors upon passage of the new Act to oversee the transition to CWB II from that point in time until the shareholders of CWB II elect a Board of Directors. Directors on the current Board could be eligible to be Directors on the Interim Board.

Considerations during Period C:

CWB II will need to restructure departments and employee complement as it is likely that CWB II will require fewer employees than CWB. Some of the functions of the CWB may not be required by CWB II. Additionally, the volume of wheat marketed by the CWB II will certainly be smaller than that marketed by the CWB although CWB II is expected to market quantities of other grains.

It would not be appropriate for CWB II to administer cash advances because doing so would provide CWB II with information on farmers' marketings that would not be available to competing grain companies. Administration of cash advances for wheat and barley will have to be assumed by an association or body not involved in marketing these crops.

The CWB II should be allowed to access generally-available government programs on the same basis as any other marketer. For example, it would be able to access government-guaranteed initial payments under the Agricultural Marketing Programs Act (AMPA) if it offers pooling, and it would be able to access government-backed export credit via Export Development Canada (EDC) after it no longer has access to the Agri-Food Credit Facility.

Recommendations for Period C:

The key levers that the government could use to assist CWB II in a successful launch include financial transition measures and phasing periods for ending its monopoly selling.

C1. Recommendations related to financial measures

Recommended transitional financial provisions include (see Annex I table):

C1.1 Continue the government financial guarantee on borrowing up to a limit of $200 million, over 2 to 5 years, with oversight by the Minister of Finance. The amount of utilization of the limit is to be determined annually by the volume of business, with a restriction that the funds be used only for operating credit i.e. working capital and inventory financing. This would provide producers assurance that they would be paid for deliveries to CWB II and give CWB II access to capital at low interest rates for an adjustment period, with a value of about $10 million.

C1.2 Transfer the CWB-owned hopper cars, contingency fund, separate account and CWB building to CWB II, with a value of about $110 million.

C1.3 The Agri-Food Credit Facility, which is a special credit program for non-sovereign credit currently available to the CWB, should be continued for the benefit of CWB II until the end of Period C. The value of this is about $0.4 million per annum.

C1.4 Government to assume the obligations of the CWB for severance costs related to reductions of CWB permanent staff, if any, in the transformation to CWB II. This would be the responsibility of government as it is related to ending the old CWB as a shared-governance corporation under the CWB Act.

C2. Other operational Recommendations

C2.1 CWB II would be free to market a range of Canadian crops grown both inside and outside the designated area, as well as crops from origins other than Canada.

C2.2 CWB II would be free to acquire assets.

C2.3 CWB II should not administer cash advances for wheat and barley and the Government should investigate other options for administering wheat and barley cash advances.

C2.4 CWB II should have no regulatory powers after the start of period C.

C3. Options and recommendation related to phase-out of monopoly over time.

There are a few different approaches to how the monopoly powers could be phased out over time by commodity, by market, or by market-share. In all of these options it is assumed that 6-month pool periods would be available for each crop, but these could vary in length depending on the timing desired. The time periods for removal of the monopoly for each crop with each option are summarized in the table after the options.

If the existing CWB Board of Directors were supportive of the change to marketing choice, they would start preparations for the change early on, and the change could be made more quickly. If the existing CWB Board of Directors is unwilling to prepare for marketing choice, this could affect the time needed to prepare CWB II for marketing choice for wheat.

<u>Option 1</u> - Complete removal of all monopoly powers at an early date

This approach would treat all commodities the same and allow a rapid adjustment. However, it would provide the highest risk of failure for the CWB II if it is unable to compete effectively immediately.

<u>Option 2 (Recommended)</u> - Remove the monopoly for barley after six months into Period B (or at the start of the next pool period after the expiration of six months) and for all wheat twelve months after the start of Period B (or at the start of the next pool period after the expiration of twelve months). This option is also portrayed in Exhibit 1.

This option provides some time for CWB II and others to prepare for choice, and reduces the risk of failure with a hurried launch. Shorter malting barley pool periods would be required for the first half of the 2007/08 crop year. The change for barley would be done ahead of wheat to provide some staging for changes, which would be easier to manage than having all commodities change at once.

Option 3 - Remove the monopoly for barley after six months into Period B (or at the start of the next pool period after the expiration of six months) and for all wheat eighteen months after the start of Period B (or at the start of the next pool period after the expiration of eighteen months).

As wheat is a higher-volume crop for the CWB, this approach would give CWB II and other stakeholders additional time to prepare.

Option 4 - Remove the monopoly for barley after six months into Period B, non-premium-price wheat markets twelve months after the start of Period B, and premium-price wheat markets twenty-four months after the start of Period B

The logic behind this option is the assumption that the CWB earns price premiums for some wheat in certain markets. The downside to this approach is it may be difficult to avoid leakage (i.e. exporter who declares shipment leaving Canada is bound for non-premium-price market could be re-directed to Japan or EU).

Option 5 - Remove the monopoly for barley after six months into Period B, and allow an increasing percentage of wheat to be marketed outside of the monopoly in successive years, such as 25% twelve months after the start of Period B, 50% eighteen months after the start of Period B, 75% in twenty-four months after the start of Period B, and open thirty months after the start of Period B.

This is a variation of the approach that was used by the Ontario Wheat Producers Marketing Board. It has the advantage of assuring a certain supply access to the CWB II in the transition period, but it was unpopular with domestic millers.

Transition Options – Time After Royal Assent That Monopoly Would End

	< 6 months	6-12 months	12-18 months	18-24 months	24-30 months	> 30 months
Option 1	barley wheat durum					
Option 2 ***(recommended)***		***barley***	***wheat durum***			
Option 3		barley		wheat durum		
Option 4		barley	non-premium-price markets for wheat & durum		premium-price markets for wheat & durum	
Option 5		barley	25% of wheat & durum	50% of wheat & durum	75% of wheat & durum	100% of wheat & durum

Recommendation regarding the phase out of the single desk monopoly

C3.1 Remove the monopoly for barley after six months into Period B (or at the start of the next pool period after the expiration of six months) and for all wheat twelve months after the start of Period B (or at the start of the next pool period after the expiration of twelve months). Assuming that legislation would be passed in the first half of 2007, barley could be changed for February 2008. The CWB II would be formed during the 2007/08 crop year, it would have a monopoly on wheat for the 2007/08 crop year, and the monopoly powers would end on July 31, 2008. If legislation is not passed until late 2007 or early 2008, the monopoly powers for barley and wheat could be extended accordingly.

CWB II Post Transition – Period D

Period D is reached when all transition measures end.

Considerations for Period D:

By period D, CWB II will be focused on the unique value it can provide to farmers beyond a traditional grain company. This value, identified earlier beginning in section 4.0 on page 12, will enable it to succeed in the long term. Since it is important to provide flexibility to CWB II in terms of what it will look like and how it will evolve in the future, the recommendations here are more related to what NOT to prescribe for CWB II.

The goal is to have by Period D, a Canadian grain sector that operates with effective competition in marketing, handling and transportation; that has effective price-discovery/hedging mechanisms, and has a strong, viable CWB II as an option for farmers.

Recommendations for Period D:

D1. CWB II after the end of transition measures should have no ongoing government financial support, and no regulatory powers.

D2. CWB II should have no restrictions on who can own shares but should retain majority control by Western grain farmers.

D3. CWB II should be free to acquire assets.

D4. CWB II should be free to market a range of Canadian crops grown both inside and outside the designated area, as well as crops from origins other than Canada.

D5. CWB II should implement a mechanism for trading shares bought by Western grain farmers in period B, and as well as a mechanism for issuing additional shares, if desired, to raise capital.

6.0 HOW A COMPETITIVE INDUSTRY MAY OPERATE WITH MARKETING CHOICE

It is essential to have effective competition in the Canadian grain handling and transportation sector to go along with the change to marketing choice for farmers. The components in the grain handling and transportation system include country handling facilities, railway service (including producer cars), and port terminal handling facilities. Domestic processing facilities also provide a growing outlet for grain.

Country handling facilities

While there is a degree of uncertainty that comes with change, new opportunities as they are perceived and responded to by the numerous operators of country handling facilities should ensure that a competitive environment will still exist. It is very likely that new, innovative, and competitive service offerings will emerge as companies attempt to increase or solidify their market position. There is excess capacity in the country grain handling system at present, and this is expected to remain for an extended period of time since much of the system is comprised of newer concrete facilities, and domestic processing of grain is expected to increase while export volumes through ports may decline. The existing facility owners need grain volume to be financially successful, so they have a strong economic incentive to compete for contracts with CWB II to handle its grain. This will be part of the new competitive dynamic at play in the grain industry.

Terminal handling facilities

There are concerns about the ability of CWB II and grain handlers without terminals at port to access terminal handling capacity at competitive rates. This is a greater concern at Vancouver port terminal position than for other terminal locations or for country facilities, as the terminal business has greater barriers to entry because of the higher capital cost of terminals, fewer owners, and fewer options for locations. While consolidation may occur and there may be new entrants, some industry participants are concerned about the possibility of predatory competitive activity.

The industry should continue to function on a ship-to-sales basis, in such a way that if a country shipper has a vessel nominated to a port terminal, that terminal provides unload authorization so that the country shipper will be allocated cars to be shipped to the designated terminal.

The Competition Bureau has been closely watching the competitive situation in Vancouver, as they are concerned about the degree of market concentration. However, it is generally thought that there is sufficient handling capacity in west coast terminal facilities such that the existing terminals will want to compete for extra grain, with the possible exception of seasonal periods of congestion. It should be noted that there are international grain trading houses that do not own Canadian terminal handling facilities (such as Toepfer and Dreyfus). Other alternatives that exist include US terminals, the Thunder Bay/St Lawrence route, bulk handling facilities, and direct shipments to the USA and Mexico.

Producer Cars

Producer cars represent an avenue for individual producers to earn extra income by loading railcars themselves. Although the vast majority of producer car shipments in recent years are CWB wheat and barley, the legislative authority for producer cars resides within the Canada Grain Act administered by the Canadian Grain Commission, not the CWB Act.

Domestic Usage

The Western Canadian grain industry continues to change. Livestock production continues to rise. In the recent past, a number of new processing ventures have been announced and are in various stages of construction. This will change the competitive dynamics of grain handling. While country elevators may continue to be used as aggregators and for storage of grains and oilseeds destined for domestic usage, a substantial portion of grain will bypass the elevator system and go direct to the users. The situation for export terminals is even more significant. Processing and consumption will divert grain away from the port terminals. It is expected that the trend of increased domestic usage will put additional pressure on elevator operators to compete vigorously for business, enhancing CWB II's ability to negotiate favorable handing arrangements.

Railway service

The Task Force repeatedly heard concerns about rail service from grain shippers. Some believe that the CWB with a monopoly and regulatory powers acts as a counter-balance to the market power of railways, while others believe that the CWB adds costs and inefficiency. Whether or not this is the case, issues with rail service go well beyond the CWB to other grains, other commodity sectors, and other shippers. Most shippers feel that effective rail competition is lacking.

Recommendations to ensure competition in grain handling and transportation

1. The Government should amend the Canada Grain Act (CGA) in the spirit of the Compas Review recommendations and also to 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.

2. The Canadian Grain Commission (CGC) should address issues that may arise regarding access to producer cars in a marketing choice environment. The CGA should be strengthened if necessary to assure access to terminals for producer cars, with safeguards to protect against terminals becoming congested with unsold grain.

3. The Government should move forward quickly with measures to enhance rail competition, such as improvements to the shipper protection provisions in the Canada Transportation Act. However, these issues should be addressed separately, rather than tying these directly to the transition to marketing choice.

In a marketing choice environment with the above safe-guards in place, the grain handling and transportation system should become even more sales-oriented, which should improve system through-put and efficiency for the good of the asset owners, grain producers, and the overall grain industry.

7.0 CONCLUSIONS

In its package of recommendations, the Task Force sought a balance between giving CWB II financial transition measures and sufficient time to have a high probability of success, yet encouraging existing and new investors to participate in the Canadian grain sector while providing farmers with marketing choice. 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.

ANNEX 1 - MEASURES TO FACILITATE TRANSITION FROM CWB TO CWBII

MEASURE	VALUE
1. CWB LIABILITIES NOT TO BE ASSUMED BY CWB II	
Federal Government takes on:	
- Commitment to CIGI for 3 years	$ 5.37 million
- Commitment to CMBTC for 3 years	0.25 million
- Commitment to WGRF for 3 years	12.00 million
- Commitments to other institutions (e.g. Universities)	1.53 million
- Obligation for CWB staff severance costs	uncertain
Total Value	**$ 19.15 million plus severance**
2. CWB ASSETS TO BE TRANSFERRED TO CWBII	
- Hopper cars (net book value, July 31, 2005)	$ 12.5 million
- Contingency fund (est July 31, 2007)	60.0 million
- Separate account	2.0 million
- Building, furniture, equipment, autos, software (net book value, July 31, 2005)	35.2 million
Total Value	**$109.7 million**
3. PROPOSED CAPITAL RESERVE	
Sale of shares to producers in Period B	**$ 109.7 million**
4. CONTINUATION OF FEDERAL GOVERNMENT GUARANTEES	
Lower Interest rate benefit of:	
- Continuation of Agri-Food Credit Facility until the end of Period C	$ 0.4 million
- Continuation of guarantee of CWB borrowings for up to $200 million for 2-5 years for operating credit only	10.0 million
Total Value	**$10.4 million**
5. DEBT/ASSETS RELATED TO PAST CREDIT SALES (JULY 31/07)	
Liabilities transferred to Government	$ 1.3 billion
Matching assets transferred to Government	- 1.3 billion
Provide CWBII with a portion of CWB cash/deposits resulting from payment of foreign sales credit for which debt has not been discharged	not more than **$75 million** (and only if needed)