

## The Ontario experience

### Key Points

- Ontario farmers have the system they do because their farmer-elected board decided to take their organization in this direction. Prairie farmers have a farmer-controlled board of directors for their CWB. They have not taken the same direction, but could do so if they wanted.
- Comparing Ontario and Western Canada is like comparing apples and oranges. Marketing wheat grown in Ontario and Western Canada requires two vastly different approaches. Farmers in Ontario grow about 1.65 million tonnes of mainly soft wheat that's sold to domestic mills for use in cookies, pastries and biscuits. Western Canadian farmers grow about 16.8 million tonnes of mainly hard red spring wheat for bread and the CWB exports it to more than 70 countries.
- The OWPMB now handles an insignificant volume of the wheat grown in Ontario. In 2003-04 it marketed only 18 per cent (about 400 000 tonnes) of the wheat grown in Ontario. Only a third (126 274 tonnes) of that amount was pooled.
- Predictably, in the open market scenario, the OWPMB has had difficulty sourcing grain for some of the sales it has made. In one case, it even had to purchase wheat in order to meet a contract commitment.
- Farmer-direct delivery to mills and markets like the United States has not materialized the way farmers envisioned under Ontario's system. Millers themselves say they see little or no benefit dealing directly with farmers when they can instead source grain through the many merchants and brokers.

### Background

Prior to the 2000 crop year, the Ontario Wheat Producers' Marketing Board (OWPMB) was the sole marketer of wheat grown in Ontario. In this role, it acted on behalf of farmers to negotiate a price for sales of wheat to mills domestically and coordinated the export of a small amount of wheat from Ontario. Beginning in 2000, the farmer-controlled OWPMB board of directors decided to allow certain volumes of wheat to be marketed outside the single-desk (150 000 tonnes in 2000 and 2001; 200 000 tonnes in 2002). In 2003, the OWPMB board of directors decided to remove the cap on exemptions, effectively creating a fully open market. The OWPMB now competes with private traders in an open market for wheat.

### FAQs:

#### ***1. Why shouldn't western Canadian farmers have the same marketing choice as those in Ontario?***

They could if they choose to do so through the democratic structure that is in place. Ontario farmers have the system they do because their farmer-elected board decided to take their organization in this direction. Prairie farmers have a farmer-controlled board of directors for their CWB. They have not taken the same direction, but could do so if they wanted. By their choice of board members it's clear that the vast majority of western Canadian farmers do NOT want to follow the OWPMB.

#### ***2. Don't Ontario farmers get a better price for their wheat than Prairie farmers selling through the CWB?***

The wheat grown in the two regions is very different (soft wheat in Ontario, hard wheat in the west), so you're comparing apples and oranges.

What you're really getting at here is the question of whether Ontario farmers were better off with the single desk. Analysis shows they were getting higher prices in that environment. For example, on August 31, 2004 the cash bid price for soft white wheat was \$146.88 per tonne but under the former mill pricing agreement with the OWMPB, farmers would have received

\$173 per tonne (that spread has been relatively consistent over time). With the single desk, the OWPMB had the clout to negotiate higher prices for farmers' wheat than farmers can now competing against one another in an open market.

***3. Can't you just issue Prairie farmers an export permit the same way they are issued to Ontario farmers?***

The CWB has a system in place that allows western Canadian farmers to sell into any market and extract values in excess of what the CWB is able to achieve in those markets on any given day. This system ensures that the integrity of the pools is not compromised. It's called producer direct sales.

***4. Won't an open market lead to more value-added processing?***

Opening the market in Ontario hasn't led to a boom in value-added processing. In fact, there has been a slight decline in milling capacity since the open market came into effect. The only mill that has closed in Canada in the last 10 years closed in Strathroy, Ontario in November 2003. Investment in value-added is driven by demand-- not the marketing system that's in place.

***5. Why has seeded acreage gone up ever since the single desk was eliminated in Ontario? (Isn't that a signal farmers are better off in an open market?).***

Seeded wheat acreage fluctuates widely from year to year in Ontario and has been gradually trending upwards for 35 years (with and without a single-desk marketing system). A dramatic increase in wheat acreage in 2003, prompted by low corn prices and excellent fall planting conditions, was followed by a decrease to more normal levels in 2004 and 2005.