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## **Canada**

### **Grain and Feed**

# **CWB Minister Goodale's Remarks at the International Grains Conference 2000**

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#### **Report Highlights:**

**Minister with Responsibility for the Canadian Wheat Board (CWB) Ralph Goodale's remarks from the ICG 2000 Grains Conference, Regina, Saskatchewan, June 15, 2000. Minister Goodale provides a "spirited" defense of the CWB, noting that repeated audits of the board resulted in the board being judged "clean". The Minister also criticized the level of U.S. and EU support programs for wheat.**

**Comment:** In the remark below, Minister Goodale comments that the various audits of the CWB have repeatedly resulted in the Board being determined to be “clean.” We would argue that all they concluded is reflected in the 1992 GAO report which stated, “the CWB has unlimited authority to offer differentiated prices—relatively high prices for some markets and lower-than-posted prices in other key markets— either in order to initiate new business or expand its market.” The lack of price transparency gives an advantage to government sponsored monopolies relative to private firms, and it is this lack of transparency which makes it impossible to conclude that the CWB is “clean.” The fact that there have been 8 studies in the past suggests that there is a problem, at least a perceived problem, with the way the CWB competes for markets internationally.

NOTES FOR AN ADDRESS BY THE HONOURABLE RALPH GOODALE, P.C., M.P.,  
MINISTER RESPONSIBLE FOR THE CANADIAN WHEAT BOARD, AT THE IGC 2000  
GRAINS CONFERENCE, REGINA, SASKATCHEWAN, JUNE 15, 2000.

What follows is a condensed version of Minister Goodale’s remarks. Begin text.

Thank you, Mr. Chairman, and good morning, ladies and gentlemen. On behalf of the Government of Canada, it’s a great pleasure to welcome all of you from Canada and from around the world to the IGC 2000 Grains Conference. I thank you for coming.

...Today, the Canadian grains and oilseeds sector generates \$9 billion in export sales, or 42 % of our total agri-foods exports. It’s a high-technology, rapidly evolving industry that draws upon the expertise of some of the finest agro-scientific minds in the world....

...But what about the future?

By fostering research and development, reforming our grain transportation system, modernizing the Canadian Wheat Board, and pushing for a fair global trading regime, we are working hard to provide an economic framework in which the industry can grow and thrive throughout this century, as it did in the last.

First, we are investing in leading-edge research, which is absolutely critical to the Canadian agriculture and agri-food industry. For decades, Canadian research scientists have risen to the challenges of a short growing season and a limited arable land base by developing new and better plant varieties and improved methods of production.

Working within a network of 18 federal agricultural research stations across the country, and with universities and the private sector, world-class scientists continue to defy the limits of possibility in realizing agriculture’s full potential. Saskatoon, just a few miles north of here, is one of the foremost centres in the world for agricultural science and biotechnology research. Guelph, Ontario, home to a renowned Canadian agricultural college, is also a leading research centre.

There are many others across the country and we are proud of them all. We live in a rapidly changing world in which, more than ever, our global economy is knowledge-based and technology-driven.

The march of science, the thirst for new knowledge, the drive for ever-greater innovation, the achievement of instant global communications and e-commerce – all of this has transformed our lives and will continue to do so at an accelerating pace.

Our world is thus smaller, faster, more interdependent and infinitely more complicated. In future, the power and success of nations will be measured not so much by the weapons they wield, but by the patents generated by the genius of their inventors – not so much by the territory they control, but by the quality and character of their ideas – not so much by the macro-value of their resources, but by the resourcefulness of their people.

Agriculture and food are very much an integral part of the knowledge-based and technology-driven global economy. And we will need all the intellectual capital – all the brain power – we can muster to meet the food and nutrition needs of burgeoning world population.

For that reason, Canada supports the research and development and the scientific advances associated with agricultural biotechnology:

- to produce better crops and products;
- to improve their food value;
- to increase yields;
- to shorten growing seasons;
- to cut production costs and pollution;
- to better feed a hungry world.

In addition to investing in the best and the most sound science, we are also committed to a robust regulatory regime to protect health, safety and the environment, and a strong management framework to deal properly with all legal, ethical and policy considerations. The public needs to have confidence – well-founded confidence – that the public interest is indeed being well-served.

I strongly believe that our world will need what the accomplishments of agricultural biotechnology can provide. Our challenge is to ensure the strength, the integrity and the credibility of the systems – scientific and regulatory – by which such accomplishments are generated, for the well-being of consumers, customers, producers and humankind in general.

In Canada, we take this responsibility seriously and as shown in our last several federal Budgets, we are putting our money where our mouth is, on this score.

Secondly – to build for the future of the western Canadian grain industry – we are improving our transportation infrastructure, and reforming our grain handling and transportation system in an ongoing effort to bolster our performance in getting grain to market.

We've recently put forth new legislation and policy measures to render railway shipping of grain

more commercially-oriented, competitive and accountable. These changes will help ensure that our logistics system is more reliable, timely, efficient and less expensive – to the advantage of Canadian grain producers and their worldwide customers.

Compared to most of our competitors, to get our grain into export position – we Canadians have more widely-flung producer delivery points to collect from, longer distances to cover, tougher topography to overcome along the way, and the most miserable winter weather often coinciding with peak shipping seasons.

We cannot afford to have just a “good” system. We need to have the best – and we’ve begun taking the steps to move a complex network of grain handling and transportation system participants in that direction.

Let me make one point abundantly clear.

We want a system that is better for farmers, that improves railway, grain handling and port efficiency, that performs more reliably overall. And we will monitor the impacts of our reform package every step of the way – to make sure that is, in fact, the case.

Third, as many of you know, we’ve made changes to modernize the Canadian Wheat Board, making it, too, more responsive to the marketplace, and more accountable to farmers. With annual revenues of over \$6 billion CDN, it is one of this country’s biggest export firms and one of the world’s largest grain marketing organizations. Over the last 18 months, the CWB has undergone the most fundamental changes in its 65 year history.

For many decades governed by a small group of government-appointed commissioners, the CWB – since January 1999 – is now run by a modern-day board of directors, a majority of whom are directly elected by grain producers. That means Canadian farmers have more control over CWB operations and its future direction than every before – a two-thirds controlling majority! And they will determine its role. Specifically, the CWB is no longer a Crown enterprise or an “Agent of Her Majesty.”

The CWB is part of a highly integrated system that includes the Canadian Grain Commission, which enforces quality standards, the Canadian International Grains Institute, which provides technical expertise and educational programs to buyers and end-users, and Canadian farmers – all with a view to consistently and reliably supplying differentiated high-quality products in a user-friendly way.

Fourth, the Canadian Government remains strongly committed to promoting and capitalizing on a more open world trading situation – a fair, rules-based system. Chief among our priorities is our ongoing effort to establish a level playing field so Canadian farmers and the Canadian treasury are not pitted against some of the world’s most powerful economies. That is not a fair contest, nor is it consistent with the spirit of the WTO.

Canada’s trade objectives are clear: the elimination of all agricultural export subsidies; substantial reductions in domestic programs that distort production or trade; and improved market access,

including for products of science-based and properly-regulated biotechnology.

We must challenge those who would continue to use export subsidies and trading distorting domestic supports, while not providing reasonable access to their own markets, even though they themselves are major exporters – and thus, major market distorters. We also need to discipline the use of export taxes and export restrictions. If the world's grain exporters want importing countries to rely on us for their supplies, those buyers need to be confident that their sources will not be artificially choked off.

And we resolutely defend the Canadian Wheat Board as a single-desk marketer of western Canadian wheat and barley in the face of those who continue to argue that its dealings are somehow nefarious. The CWB is, in fact, more transparent than any of its private sector competition and it is fully audited every year by the well-respected private sector firm of Deloitte & Touche.

To obtain factual impartial information about the Canadian Wheat Board, one need look only as far as the conclusions of the various non-Canadian bodies which have investigated the CWB no fewer than eight times over the last decade. It has been examined by the U.S. International Trade Commission in 1990 and 1994, by the U.S. General Accounting Office in 1992, 1996 and 1998, by a bi-national panel (and then an independent auditor, Arthur Andersen Inc.) under the Canada-U.S. Free Trade Agreement beginning in 1993, and most recently by the U.S. Department of Commerce in 1999.

The CWB came out clean through every one of these investigations. Why? Because there is no pattern of wrongdoing to find. There is no systemic smoking gun.

Just because our Canadian grain marketing system is “different” from, say, the U.S. system, that does not mean that we in Canada are “wrong” or “unfair.”

We strongly support the rule of law in our multilateral agricultural trading regime, so we have no problem in participating in a review of the adequacy of existing WTO rules, including those with respect to State Trading Enterprises.

However, it is incumbent on those countries that take issue with certain STE's to be specific about which ones and why. They must advance their evidence based upon solid facts and hard evidence – not a maze of myths, rumours, anecdotes and innuendoes. And they need to put forward sensible remedies and solutions that do not put single-desk sellers, for example, at a competitive disadvantage to large private companies (who may, in fact, exercise more market power than any given STE).

Despite the beliefs of some that it somehow subsidizes Canadian farmers, the CWB is completely market driven. In fact, Canadian producers face the world market with virtually no commodity-specific support. Canada completely eliminated all grain export subsidies back in 1995, when our former rail transportation program was terminated.

The CWB's money comes from its grain sales. That's the farmer's money! All of those sales proceeds, minus handling, transportation and marketing costs, are passed through to farmers, and farmers make their individual cropping decisions based upon clear and direct market signals. And let

me tell you, they do not forgive the CWB for missing any opportunity to market when there is a chance to do so at a favourable price. So the CWB is always interested in the top of the market, not the bottom.

U.S. growers, by contrast, have benefitted in recent years from very significant increases in government financial assistance, largely in the form of enriched production flexibility contracts and loan deficiency payments. The support level for wheat in the United States in 1998 was eight times greater than that in Canada, using the measures developed by the OECD. Support to European farmers was about 15 times higher.

Think of that for a moment – a ratio of 8-to-1 or 15-to-1. You can imagine the trauma that kind of government subsidization causes to other governments and to other farmers in other jurisdictions where the public purse is simply not big enough to compete with all the give-away schemes.

That trauma has been felt right here in Saskatchewan, and surely there must be a better way. We are confronting a very odd and contradictory situation in the world of grain.

On the one hand, we have had at least four consecutive years of strong yields in each of the five major production zones (Europe, North America, South America, Australia and China). Some large grain importing countries have, at the same time, been struggling through a period of economic turmoil -- cutting their purchasing power. Also, at the same time, export subsidies and trade distorting domestic supports used by some countries are badly skewing the legitimate marketplace. So we have surplus commercial supplies and low prices. Grain producers (like ours in Saskatchewan) are suffering. Some are leaving the land.

On the other hand -- and here's the great contradiction -- 800 million people in this world are still hungry. If all grain production were to stop today, our inventories -- that so-called "over supply" -- would last for not much more than 100 days, maybe less. Food security remains a big international concern.

Working together, we need to find the sensible business means to handle excess global supplies in ways that do not depress commercial markets. At the same time, we need to address more effectively world hunger and food security. We need to resist non-scientific barriers in relation to sanitary and phytosanitary issues and biotechnology.

Through international financial institutions and the new G-20 group, we need to be pro-active in heading off regional economic turmoil, and in repairing the damages and restoring growth and markets when such disturbances do occur.

We need to commit ourselves, in spirit and in fact, to a properly functioning rules-based multilateral trading system

- with better market access;
- free of the damage caused by export subsidies;

– and with trade-distorting domestic supports dramatically reduced and properly-disciplined.

When governments need to provide support to their farmers and rural communities – as we surely know they do – it can and should be done in a production-neutral and trade-neutral fashion. Surely, together, we can muster the wisdom and the will to find and implement all sensible means to strengthen global markets and prices, to have a fair and undistorted trading regime, to meet the hunger and food-security needs of the world's least privileged peoples – and to function in the best interests of farmers everywhere, and the rest of humankind.

End text.

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