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Grain and Feed

CWB's Ken Ritter Criticizes Ag Committee

Recomendation 14 for Free-Market Trial in Letter to

Prairie Farmers

2002

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Report Highlights:

In an open letter to Western Canadian farmers, CWB Board of Directors Chairman Ken Ritter writes that how wheat and barley is marketed in Canada is determined by prairie Canada farmers through democratic elections, not via ag committee recommendations. Ritter outlines several concerns that the CWB has with the proposed free-trial experiment and says that the value of the CWB is built on three factors: (1) single-desk selling; (2) price-pooling; and (3) government guarantees for credit sales and payments to farmers.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Ottawa [CA1], CA

CWB WRITES LETTER TO WESTERN CANADIAN FARMERS ARGUING AGAINST FREE-MARKET TRIAL FOR WHEAT AND BARLEY RECOMMENDED BY STANDING COMMITTEE ON AGRICULTURE

The following is based on a release from the Canadian Wheat Board (CWB), in which Ken Ritter, CEO and Chair of the Board of Directors of the CWB, wrote an open letter to western Canadian growers of wheat and barley.

In June, the Standing Committee on Agriculture and Agri-Food released a report called *The Future Role of the Government in Agriculture* (see GAIN report CA2072). The members of the Committee recommended “that the board of directors of the Canadian Wheat Board authorize, on a trial basis, a free market for the sale of wheat and barley, and that it report to this Committee on the subject.”

This recommendation has received a lot of media coverage. Some groups have come out in favor of the recommendation. Others, including the farmer-elected board of directors of the CWB, have said that it is wrong and should be withdrawn.

Regardless of where you, as an individual farmer, stand on the issue, there are certain aspects of the debate that need to be clearly outlined:

- The only people who really have a say on this issue are the farmers of Western Canada. The Standing Committee of the House of Commons cannot decide the future of how your wheat and barley is sold.
- You determine how your wheat and barley will be marketed through the democratic elections that take place throughout Western Canada. CWB elections are being held this fall in Districts 1,3,5,7 and 9 and there are many individuals, representing a wide array of views, who have indicated their desire to stand as candidates.
- No one contests the importance of value-added activities. However, let’s be clear on what value-added means for farmers. Value-added, as the Committee itself defines it in its report, “embraces every means by which farmers can secure a larger share of consumer spending.” In other words, when you maximize the returns that farmers get for their grain, you add value. When you reduce farmer returns – regardless of what you are doing to the grain – it’s not value-added. Farmers don’t have time to waste on empty words that translate into less money in their pockets. For example, the Committee talks about producers in Ontario and Quebec enjoying “increased flexibility in the marketing of their wheat and barley”. With all due respect to the Committee members, increased flexibility is of no benefit whatsoever if farmers are getting less money for their grain. What is happening in Ontario only matters if farmers there are better off financially.
- On-farm economic activity and processing, which the Committee calls an “emerging factor of

great concern”, is enabled under current regulations. Farmers can mill their own grain on-farm for the domestic market without the CWB’s intervention. They can feed it to their livestock or sell it into the local feed market. The Producer Direct Sale process, that the CWB is committed to re-examining in the fall of 2002, allows farmers to capture the benefits of higher-value markets and is being used by organic farmers, in particular, in this manner.

- The CWB does not buy wheat and barley. It sells these crops on your behalf. Farmers ultimately have to decide if they are better off selling their wheat and barley on their own or if they get better prices by selling it together through one agent. Selling through one agent like the CWB does imply discipline that some farmers will never like. But there are reasons why countries establish cartels, workers establish unions and tractor companies merge with the competition: when you are the sole supplier of a commodity, you can extract more from the marketplace.
- Anyone who believes that a “free market” - like the one that the Committee is recommending – will be the best of both worlds has not thought the issue through. The value of the CWB is built upon three main factors:
 - single-desk selling
 - price-pooling
 - government guarantees for credit sales and payments to farmers.

Open up the market and make it free so farmers can sell to whomever they want, whenever they want, and you have already eliminated single-desk selling. Next, price-pooling falls by the wayside because the CWB can only attract supplies of wheat and barley by buying your grain from you outright on a cash basis, especially when markets are rising. Lastly, the government guarantees disappear as grain companies competing with the CWB demand equal treatment. What remains is something very different than what Prairie farmers know today as the CWB. Therefore, an open market does not mean today’s CWB operating side-by-side with the private grain trade. It means the private grain trade and perhaps something that used to be the CWB. Farmers have a choice to make. They can have today’s system with the CWB acting as their selling agent. Or they can have an open market system. But they must be aware that an open market will completely transform the CWB.

- Having a trial period for this free market is not a workable option. The purpose of a trial period would be to assess the CWB’s performance in an open or free market environment. But in a free or open market, you no longer have the CWB because you no longer have the things that make the CWB work. As outlined in the preceding paragraph, you would be evaluating something that used to be the CWB. It would no longer have single-desk selling powers and it would no longer be able to pool farmer returns. This proposed trial period, therefore, would tell you absolutely nothing about what the CWB does or doesn’t accomplish for you today, in its present form.

Although this year’s crop has presented farmers with many hardships and challenges, I wish all of you

the best possible harvest.

Ken Ritter
Chair of the CWB Board of Directors

Comments:

According to Ken Ritter and the minister responsible for the CWB, Ralph Goodale, whether or not recommendation 14 is implemented will depend upon the CWB Board of Directors and possibly a referendum on the issue whereby prairie farmers could vote for or against the recommendation. With the election of the five odd-numbered CWB districts coming up later in 2002 and seven pro-voluntary candidates competing for those five directorships, a shift in the balance of power in the Board of Directors could be a deciding factor as to whether or not the recommendation is effectuated.

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