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CWB Decision Not to Exempt Pasta Producers

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Report Highlights:

A recent decision by the CWB not to allow a new generation cooperative to bypass the board's pricing and pool return payment system and allow durum to be sold directly to a farmer-owned pasta plant, instead of through the CWB may result in the plant being constructed in the United States.

Includes PSD changes: No
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CWB DECISION NOT TO EXEMPT PASTA PRODUCERS FROM CWB PRICING SYSTEM

The following information contains excerpts from a July 30, 1999 article from the Saskatoon StarPhoenix

A recent decision by the CWB not to allow a new generation cooperative to bypass the board's pricing and pool return payment system and allow durum to be sold directly to a farmer-owned pasta plant, instead of through the CWB may result in the plant being constructed in the United States. The decision had important implications for the future of the CWB. Were the board to have made an exception in this case, it is likely that other processing ventures would have formed to compete with the CWB's purchasing of wheat, a threat to two of the three pillars of the board: price pooling and single desk buying and selling. The CWB's decision would allow new generation cooperatives to avail themselves to some of the increased flexibility offered under the restructuring of the board under last year's Bill C-4, including the option for cash purchasing and the ability to deliver durum to the coop without a contract delivery call from the CWB. However, to critics of the CWB, the decision demonstrates a lack of responsiveness to the market, and forces CWB in the role of presenting a disincentive to value-added processing in Western Canada.

New generation co-ops are a fairly recent concept, wherein farmers buy voting shares and equity shares, then supply their raw materials to a processing plant. The farmer member makes a commitment to sell a certain amount of grain or livestock to the co-op, and also sees a return from the processing activity.

The CWB markets all wheat and barley grown on the western Prairies, including durum. It pools money received from all sales and pays farmers identical prices based on quality and grade. Farmers usually receive an initial payment when they deliver grain, and a final payment at the end of the crop year.

Press reports Prairie Pasta Producers (PPP) will not be allowed to bypass the Canadian Wheat Board's pricing and pool return payment systems, the marketing agency's board of directors decided this week in Regina.

PPP, a new generation co-operative with about 650 members, asked the board to allow members to sell durum directly to a proposed farmer-owned pasta plant, instead of through the CWB.

CWB spokesperson Jim Pietryk said the new policy puts co-ops on the same footing as any other processor. However, there will be some minor differences in the new policy for new generation co-ops. "Farmers will have the choice of being paid in full on a cash basis when they deliver to the new generation co-op, or to receive an initial payment and stay in the pool," said Pietryk.

Members can also deliver durum to the co-op when it is needed, without waiting for a contract delivery call from the CWB, said Pietryk. PPP also said it needed a firm policy governing new generation co-ops from the CWB before it could complete its business plan, Pietryk pointed out.

"They now have a firm policy in place on which they can build their business plan, knowing how they can proceed forward." The CWB's decision allows all farmers to participate equally in the premium North American durum market, said Pietryk.

According to press, PPP officials have argued the exemption is necessary to develop more value-added processing

on the Prairies, thereby improving the lot of cash-strapped farmers. "If farmers are going to get involved in adding value, it only makes sense that all the revenues are received by the investors," PPP board chair Schnell has said.

The co-op has members from Saskatchewan, Alberta, Manitoba, North Dakota and Montana. Canadian members say the plant will go to the United States without the CWB exemption. The farmers propose building a plant that would cost \$120 million and employ 95 people. The mill would buy about five million bushels of durum a year from co-op members.