

MOWED DOWN

DISMANTLING
THE CANADIAN
WHEAT BOARD

WHO WILL
REALLY REAP
THE REWARDS?





Did you eat any bread today? Toast at breakfast? Maybe a sandwich at lunch? How about a beer after work?

If so, you can thank the Canadian Wheat Board.

The CWB does good for all of us—even those of us who only eat and drink what farmers produce.

The Harper Conservatives don't care. They are set to dismantle the CWB.

This won't be good for farmers. It won't be good for the rest of us either.

The Canadian Wheat Board (CWB)

What it is. What it does.

Why you should care.

The CWB: collective bargaining for farmers

Although it's not often described that way, the CWB works exactly like a bargaining unit, representing 75,000 Western wheat and barley growers. It's a marketing organization that negotiates on their behalf the best price for their product, and favourable storage and transportation rates to hold and deliver it. Its 15-member board of directors includes ten representatives elected by the growers, and five members appointed by the federal government, including a CEO.

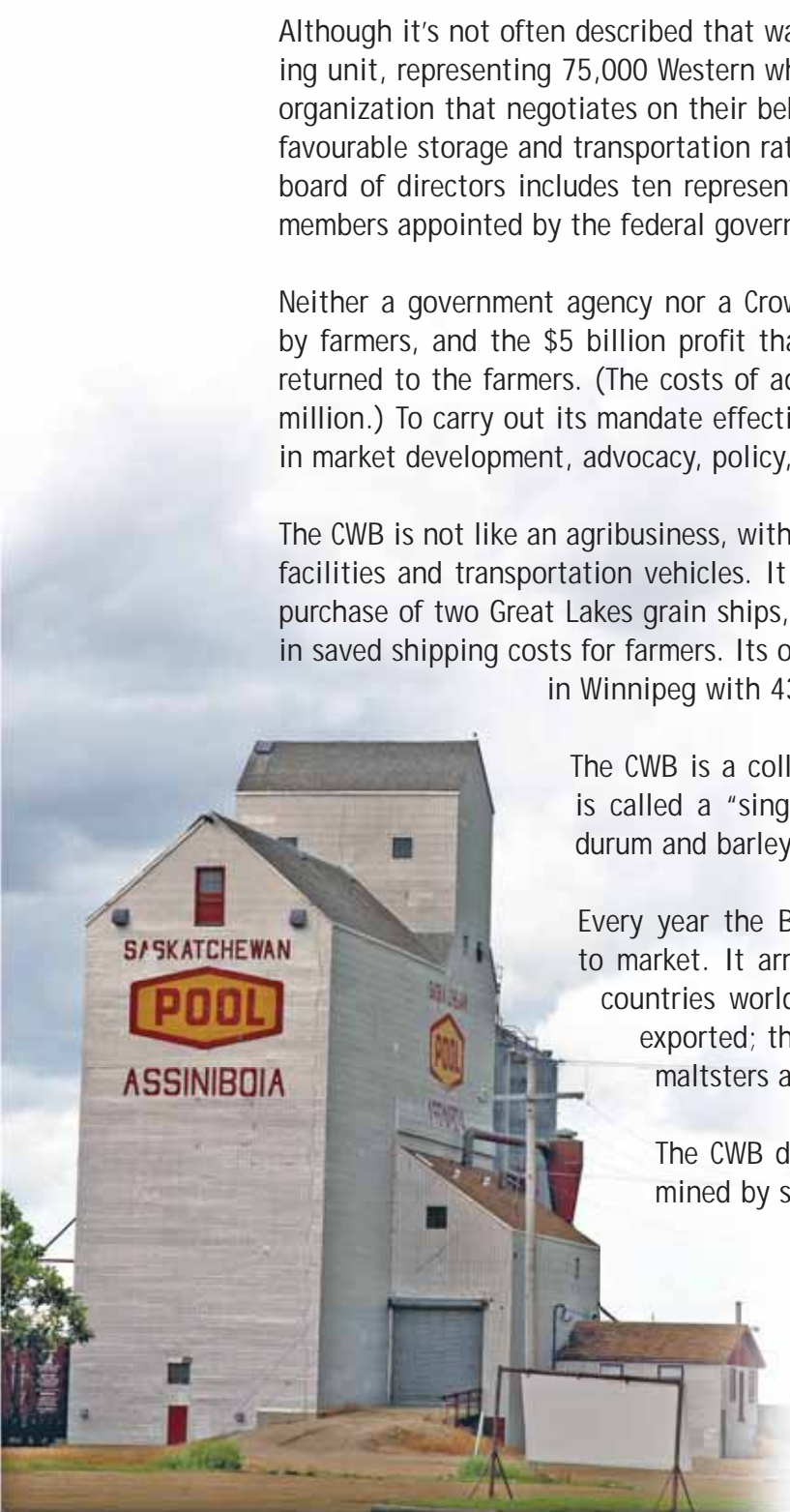
Neither a government agency nor a Crown corporation, the CWB is fully funded by farmers, and the \$5 billion profit that it makes annually from grain sales is returned to the farmers. (The costs of administration last year amounted to \$75 million.) To carry out its mandate effectively, the Board invests general revenues in market development, advocacy, policy, research and analysis.

The CWB is not like an agribusiness, with investments in land, machinery, storage facilities and transportation vehicles. It has, however, recently arranged for the purchase of two Great Lakes grain ships, expected to return \$10 million per year in saved shipping costs for farmers. Its only asset at present is its national office in Winnipeg with 430 employees.

The CWB is a collective enterprise, and operates by what is called a "single desk" system: Western-grown wheat, durum and barley must legally be sold through the Board.

Every year the Board brings 21 million tonnes of grain to market. It arranges transport from the farmers to 70 countries worldwide. Nearly 80% of Canadian grain is exported; the rest is sold within Canada to Canadian maltsters and millers.

The CWB doesn't set grain prices: those are determined by supply and demand in world markets. But



the sheer volume of grain that it handles through the single desk system gives it the clout to negotiate a high selling price on behalf of its members.

The CWB has a longstanding international reputation as a seller of high-quality grain with reliable delivery, and has many repeat customers worldwide. Because of this it attracts a price premium, benefiting farmers unlikely to be able to achieve this on their own.

Farmers are not the only ones who do well by the CWB's work. A 2005 PriceWaterhouseCoopers study outlined the considerable economic spin-off effects, including 14,000 non-farm jobs. The Board has also played an important role in protecting consumers from the risks of genetically modified (GM) wheat.

History

At the start of the 20th century, farmers were vulnerable to market conditions and the price available at harvest time. Grain elevator operators and speculators would buy grain from farmers and hold onto it until they could sell it themselves at a higher price.

In 1917, to stop grain hoarding and speculation, the federal government created the Board of Grain Supervisors to control the collection, delivery and selling of grain. At the end of WWI, the first Canadian Wheat Board was established, pooling grain and selling it in the export markets. A two-step payment system was introduced: farmers would bring their grain to the Board and receive an initial payment, and if the grain sold at a higher price they would get a second one.

The first CWB was disbanded a year later, in 1920, and farmers faced uncertain times: once again they found themselves individually at the mercy of railway and grain companies. They responded by forming cooperative wheat pools.

Wheat pools offered individual farmers a collective strength and more protection from changing market conditions. By the end of the 1920s, they were operating in Alberta, Saskatchewan and Manitoba, organizing over 50% of wheat sales.

The 1929 stock market crash, however, led to the collapse of world wheat prices. Ten years of drought followed. Farmers were bankrupted, and provincial governments, which had guaranteed loans to the wheat pools so farmers would get paid, faced bankruptcy themselves. As the situation grew more desperate, the federal government under Conservative Prime Minister R.B. Bennett intervened in 1935, creating

a new Canadian Wheat Board that returned all profits to farmers and guaranteed the government would cover any losses incurred by the Board in lean years.

Various changes took place over the years since, including a move away from voluntary participation, which had left the CWB vulnerable to deficits and uncertain deliveries. The Board was finally made permanent during WWII, in 1943, with a legislated single desk system. The current Board has federal government loan guarantees of up to \$6 billion, allowing it to obtain favourable interest rates when borrowing is required.

Recent developments

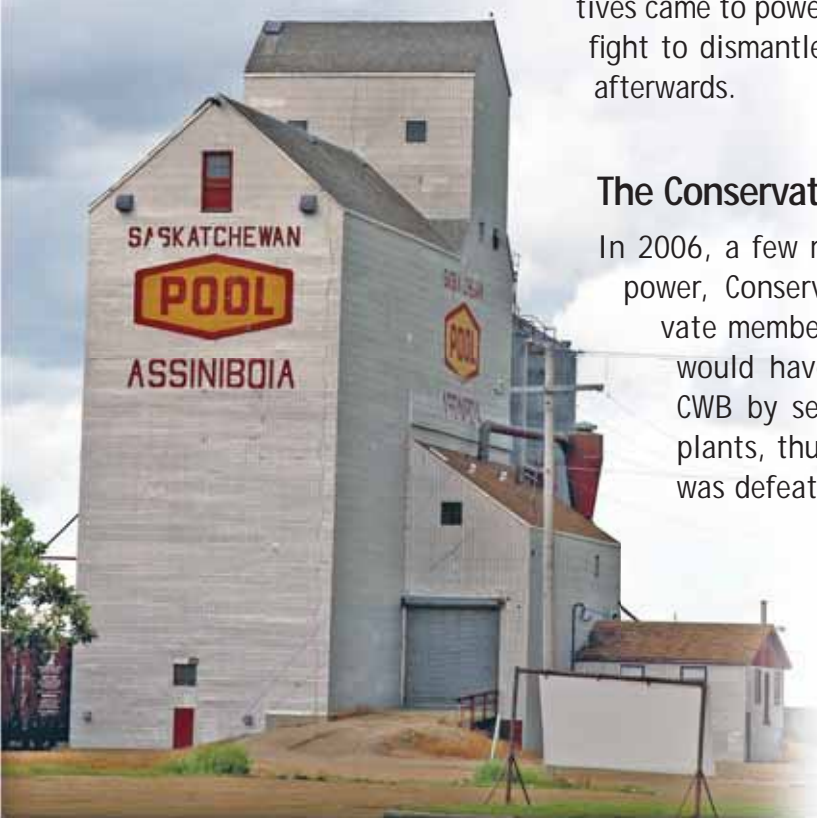
Pressure by growers led to a major change in the CWB structure in 1998: what was then a Crown corporation was replaced by a shared governance corporation under the control of a 15-member board of directors, two-thirds of whom are elected. After a review of the CWB's finances, governance and operations by the Auditor General in 2000, new performance measures were brought in to ensure better accountability.

Using NAFTA and WTO agreements as a pretext, competing multinational grain corporations have launched at least 12 different trade complaints against the CWB. To date, the Board has always won its case. Tense negotiations with the US have also taken place, and been settled on favourable terms. This is in large part because the CWB has had the resources to carry out the research and analysis required to fight these complex legal battles.

In 2006, Prime Minister Stephen Harper and his Conservatives came to power and formed a minority government. The fight to dismantle the Canadian Wheat Board began soon afterwards.

The Conservative government targets the CWB

In 2006, a few months after the Conservatives came to power, Conservative MP Gerry Ritz introduced a private member's bill, C-300. The proposed legislation would have permitted producers to undercut the CWB by selling their grain directly to processing plants, thus eliminating the single desk system. It was defeated.



Later that year, the government imposed a gag order on the CWB, forbidding it from defending the single desk system. The Board fought the order in court and won, but this was later reversed on appeal.

The Board was more successful in challenging the legality of a Conservative Order-in-Council abolishing the single desk system for barley. The courts ruled this was a violation of the *Canadian Wheat Board Act*, and turned back the government's initiative in February 2008.

In mid-2008, the Board revealed a secret cabinet document that had been drafted in 2006. It contained recommendations to fire the well-respected CEO of the Board, Adrian Measner, and replace pro-CWB directors with grain industry opponents of the Board. Measner, a strong supporter of the single desk system, was indeed fired that year by Agriculture Minister Chuck Strahl.

The government then proceeded to tamper with the CWB election process itself, by throwing 16,000 farmers off the electoral rolls, and allowing unlimited third-party spending to support anti-CWB candidates. It ran a plebiscite in 2007 on the single desk system for barley, spending \$1.2 million to promote the so-called "dual marketing option", after gagging the CWB. The government used traceable numbered ballots, no scrutineers were present for the count, and the options on the ballot were ambiguous.

In fact, support among Western farmers for the CWB has always been strong, and remains that way to this day. In early 2007 the Manitoba government ran a plebiscite of its own: 70% of the farmers in that province favoured a single-desk system for wheat, and 62% for barley. In a Board plebiscite earlier this year, 62% of Western farmers as a whole supported a single desk system for wheat, and 51% for barley. Eight of the ten elected members of the CWB's current board of directors, despite the government's best efforts, support the single desk system.

This Fall, the majority Conservative government introduced legislation to abolish the single desk. The CWB is conducting a campaign against the process, and is going to federal court to demand a referendum of Western farmers.

Who benefits?

The government's preferred "dual marketing system" would place the CWB, with no assets to speak of, in direct competition with the big grain companies. It would

cease to be an effective advocate and agent of the farmers it represents, and would have to wind down.

The profits of the CWB are returned to farmers, but this would not be the case when multinational grain companies effectively take over the industry. They would keep the profits for themselves, and press competing individual farmers to accept lower prices for their grain in a divide-and-rule strategy.

With the CWB gone, there will no longer be any incentive to keep transport costs low, something the CWB has been able to achieve by putting its shipping contracts out for bidding. The integration of the grain industry, including the purchase of grain elevators and rail companies, would effectively shut out the CWB as a competitor.

What is to be done

- Get informed by visiting
 - www.nfu.ca
 - www.cwb.ca/public/en/hot/decision/atstake

- Send a letter to the Agricultural Minister and your own MP.

No postage is required.

The Honourable Gerry Ritz
Agriculture and Agri-Food Canada
1341 Baseline Road
Ottawa, Ontario K1A 0C5

- Write a personal letter to your own MP. You can find his or her email address at

- <http://www.parl.gc.ca/MembersOfParliament/MainMPsCompleteList.aspx>

- Make your voice heard.
 - Write a letter to the editor of your local newspaper or call talk shows and speak out!



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