



# Dismantling the Canadian Wheat Board: what's at stake



**The Government of Canada plans to dismantle Prairie farmers' single desk for wheat and barley on August 1, 2012. The government does not intend to give farmers a say.**

**The CWB is controlled, directed and funded by farmers. The implications of dismantling the single desk are profound. Farmers should be the ones to decide the future of the marketing organization that they run and pay for.**

- The CWB is western Canadian farmers' marketing organization for wheat, durum wheat and barley. *The Canadian Wheat Board Act* gives it a legal mandate to extract the highest possible returns for farmers by effectively leveraging the powers of the single desk.
- The CWB sells farmers' grain in 70 countries around the world. It returns all profits to farmers – between \$4 billion and \$7 billion a year.
- The CWB manages a supply chain that extends from farm gate to end-use customer. It has an envied international reputation for consistent quality and supply, superior service and technical support.
- The CWB is not a grain company. It has no shareholders. It has no retained earnings. It has negligible assets. Most importantly, it has no grain-handling infrastructure such as country elevators or port terminals to take grain from farmers or load it onto ships for customers. Its only significant "asset" is its legislated mandate to sell all of the wheat, durum and barley grown in Western Canada – the single desk.

- Ten of the 15 members of the CWB board of directors are elected by farmers. Farmers consistently elect a majority of directors who support the single-desk structure. Eight of the 10 farmer-elected members of the CWB board of directors are strong proponents of the single desk.
- CWB operations are made possible by federal government guarantees. The guarantees underwrite initial payments for farmers and the organization's financial borrowings. The CWB and its investors have never had to call upon the borrowing guarantee. The guarantee on initial payments is rarely used. Taxpayers do not fund the CWB.



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# What are the implications of removing the single desk?

- **Decreased returns to farmers.** As the only seller of western Canadian wheat and barley, the CWB generates valuable premiums for Prairie farmers. Under a single desk, there are no competing sellers to undercut each other's prices to the same grain buyers. Also, because it has assured access to the entire Prairie wheat supply, the CWB can market very strategically in terms of sales destinations and timing. This includes the ability to "price differentiate" by selling at different prices in different markets. Numerous studies by leading agricultural economists using actual CWB data have concluded that the single desk earns Prairie farmers hundreds of millions of dollars a year more than they would achieve in an open market.
- **Financing the operations of any future entity.** The CWB cannot, under *The Canadian Wheat Board Act*, retain earnings or own real assets. As a result, it has no capital base. It would need to acquire a substantial capital base for any possibility of success in an open-market environment.
- **Access to infrastructure: the need for timely and competitive access to grain elevators and terminals.** In an open market, any farmer wishing to deliver grain to the CWB would only be able to do so by delivering to an elevator owned by a company competing with the CWB. The CWB would be dependent on its competitors to carry out its business.
- **Wind-up costs.** The current CWB operation would have to be wound down and all costs paid so that any potential new entity would not be saddled with these. Given that dismantling the CWB is the choice of the government, not of farmers, these costs should not be borne by farmers.
- **Impacts on Churchill and farmers who deliver grain through Churchill.** The CWB is the main user of the Port of Churchill. Overall, CWB grains account for 95 per cent of shipments through the port. In an open market, private grain companies would have no incentive to use the Port of Churchill as they own port facilities at the West Coast, Thunder Bay and along the St. Lawrence.
- **Impacts on producer car shippers and shortline rails.** Farmers who load producer cars save \$1,000 to \$1,500 on elevation and cleaning costs per car shipped. In an open market, railways and the grain companies would exert increasing control over the movement of western Canadian grain. Neither would have any incentive to facilitate the use of producer cars. As the use of producer cars declined, so would the viability of locally owned shortline railways. Without an alternative business model, more shortlines would be forced out of the market.
- **Quality assurance.** The CWB is a key part of Canada's grain quality-assurance system. It plays a vital role in grain variety selection, registration, research and quality control.
- **Financial impacts on the City of Winnipeg and the Province of Manitoba.** A 2005 economic impact analysis by Price Waterhouse Cooper (PwC) found the CWB contributes gross output of \$94.6 million to the city of Winnipeg. In addition to more than 400 employees at its head office, PwC calculated spin-off employment from the CWB to be more than 2,000 jobs, with a total labour-income impact on the city of more than \$66 million. At the provincial level, PwC put the CWB gross output contribution at \$323 million, with more than 3,000 jobs and total labour-income impact of more than \$140 million.
- **Funding for wheat and barley research.** The Western Grains Research Foundation (WGRF) currently receives about \$6.4 million annually through check-offs from CWB deliveries.
- **Fewer competitive options for farmers.** Smaller, regionally owned grain handlers rely on the CWB for competitive access to port capacity. Without this access, such companies may not be viable, leading to greater market concentration and fewer delivery options for farmers.
- **Possible trade backlash.** There is a potential in an open market for a trade backlash stemming from western Canadian farmers delivering to U.S. elevators.
- **Branding of western Canadian wheat and barley.** The CWB partners with top-tier corporations to promote the quality and reputation of Prairie wheat to consumers around the world. In an open market, individual companies would be reluctant to invest in branding activities that benefit their competitors as much as themselves.
- **Market development.** The CWB cultivates customers through overseas missions, technical programs and superior service. It also supplies one third of the funding of the Canadian International Grains Institute (CIGI), which provides educational programs, technical expertise and ongoing support to customers around the world.
- **Loss of a strong advocate.** The CWB works with industry and government to promote trade, transportation and other policies that benefit western Canadian wheat and barley producers. It has successfully defended farmers against unfounded trade challenges and won important victories for better rail service and rates.

**"The federal government has laid out its plans to get rid of western Canadian farmers' single desk for wheat and barley and it has laid out a timeline. But it's clear that it has done no analysis of the implications.**

**"The government needs to address these issues. It needs to come clean with farmers and Canadians about what it has in mind that could possibly offer farmers anything like the value they currently get through the single desk. And most of all, it needs to ask farmers in a clear and binding plebiscite:**

**Do you want the single desk for barley? Do you want the single desk for wheat?"**

– **Allen Oberg**, Farmer and Chair, CWB Board of Directors



Impacts on car shippers and shortline rails