



# Western Canadian Wheat Growers

## The Case for a Voluntary CWB

Presentation to the Frontier Centre for Public Policy

Cherilyn Jolly-Nagel

Past President, Western Canadian Wheat Growers Association

February 25, 2009

Regina, SK



# Western Canadian Wheat Growers

## Who we Are:

- **A leading voluntary farm policy advocacy organization**
- **Providing innovative farm policy solutions for 39 years**
- **Governed by a 12 member board of farmer directors from across western Canada**



# Western Canadian Wheat Growers

Making the Case for a Voluntary CWB

*Outline of Presentation:*

- **The business case**
- **The economic case**
- **The freedom argument**



## **Western Canadian Wheat Growers**

**The Business Case for a voluntary CWB  
*Findings of Informa Study (June 2008):***

- **The CWB earns no premium for farmers. U.S. farmers received higher prices for spring wheat in 5 of the past 6 years.**
- **CWB spring wheat pool returns have been, on average, \$15.97 per tonne below North Dakota average prices.**



## **Western Canadian Wheat Growers**

**The Business Case for a voluntary CWB**

*Findings of Informa Study:*

- **U.S. farmers received higher prices for durum wheat in 5 of the past 6 years.**
- **CWB durum returns have been, on average, \$12.29 per tonne below North Dakota average prices.**



## **Western Canadian Wheat Growers**

The Business Case for a voluntary CWB

*Findings of Informa Study:*

- **U.S. farmers received higher malt barley prices**
- **North Dakota six row malt barley prices have been \$21.11 per tonne higher than CWB returns**
- **North Dakota two row malt barley prices have been \$5.51 per tonne higher than CWB returns**



## **Western Canadian Wheat Growers**

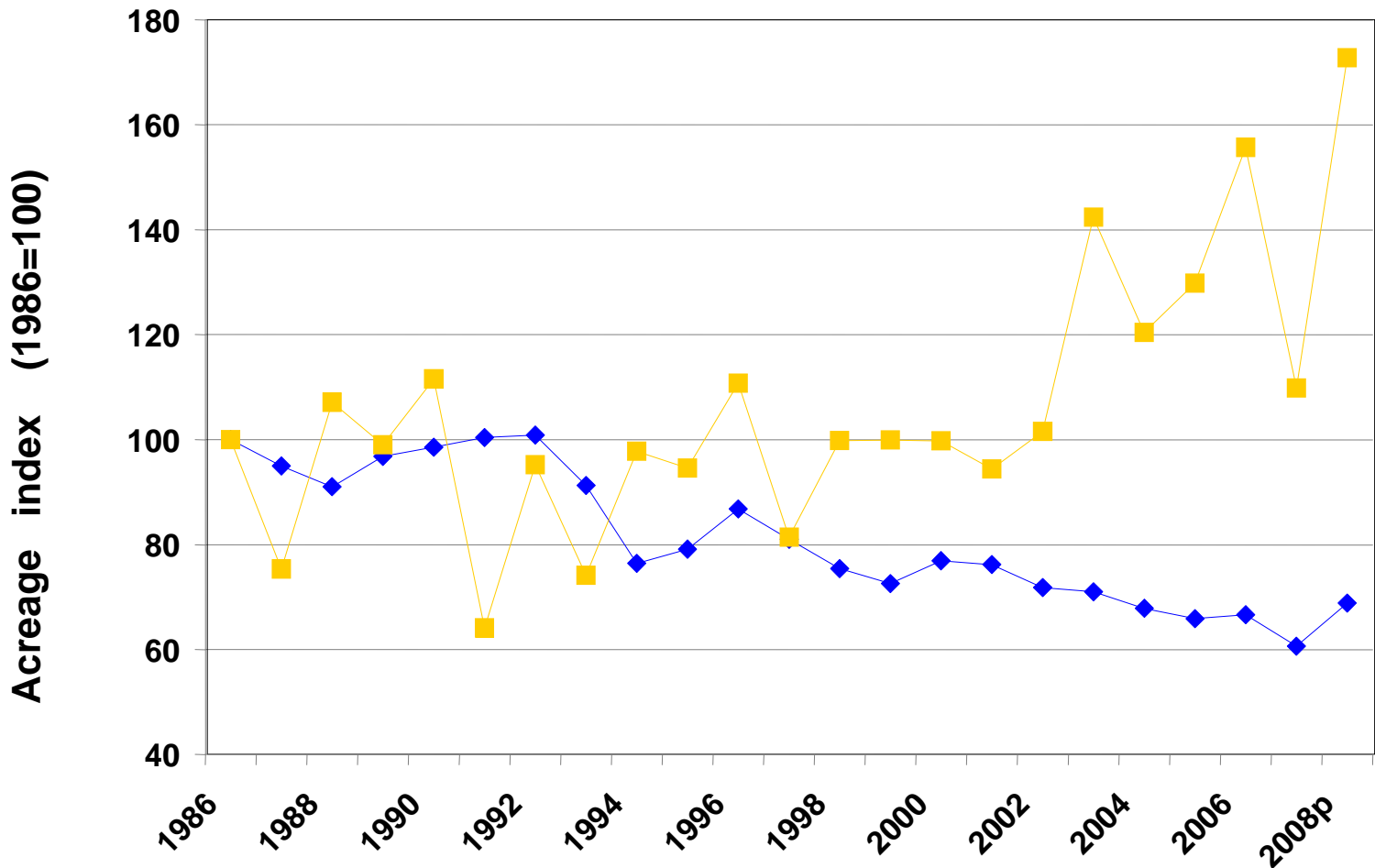
**The Business Case for a voluntary CWB**

*Findings of Informa Study:*

- **In eight of the last nine years, canola prices received by Canadian farmers have been higher than canola prices received by U.S. farmers.**
- **CWB administrative costs have increased by an average of \$2.0 million or 7.2% annually for the past 20 years.**



# Canadian Wheat Acreage



Source: Informa Economics

◆ West      ■ East



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The Business Case for a voluntary CWB

*Findings of CD Howe study (November 2008):*

- **Over the past 3 years, spring wheat prices at U.S. elevators were an average of \$19.78 per tonne or \$0.54 per bushel higher than CWB prices offered under its Daily Price Contract.**



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The Business Case for a voluntary CWB  
*CWB Annual Report, 2007/08 crop year:*

- **CWB suffered a loss of \$89.5 million or almost \$20 per tonne on its pricing options.**
- **CWB pool accounts suffered a \$226 million loss relating to “discretionary commodity trading activity”**



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## The Business Case for a voluntary CWB

*Prairie farmers take a double hit:*

- **CWB report shows a trading loss of \$20 per tonne on its pricing options, including the daily price contracts.**
- **C.D. Howe study found that in 2007/08, the average return on the CWB's daily price contracts was \$32.81 per tonne *below* the average U.S. daily price.**
- **So the CWB's actual performance on this pricing option is over \$50 per tonne below the average return available to U.S. farmers.**



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The Business Case for a voluntary CWB

*The pool account did no better!*

- **The Daily Price Contract (DPC) was the CWB's *best* pricing vehicle. The CWB's wheat pool return in the 2007/08 crop year was \$17.07 per tonne *below* the average DPC price.**
- **So again, your average return was about \$50 per tonne below the average prices available to U.S. farmers (i.e. \$17.07 plus \$32.81).**



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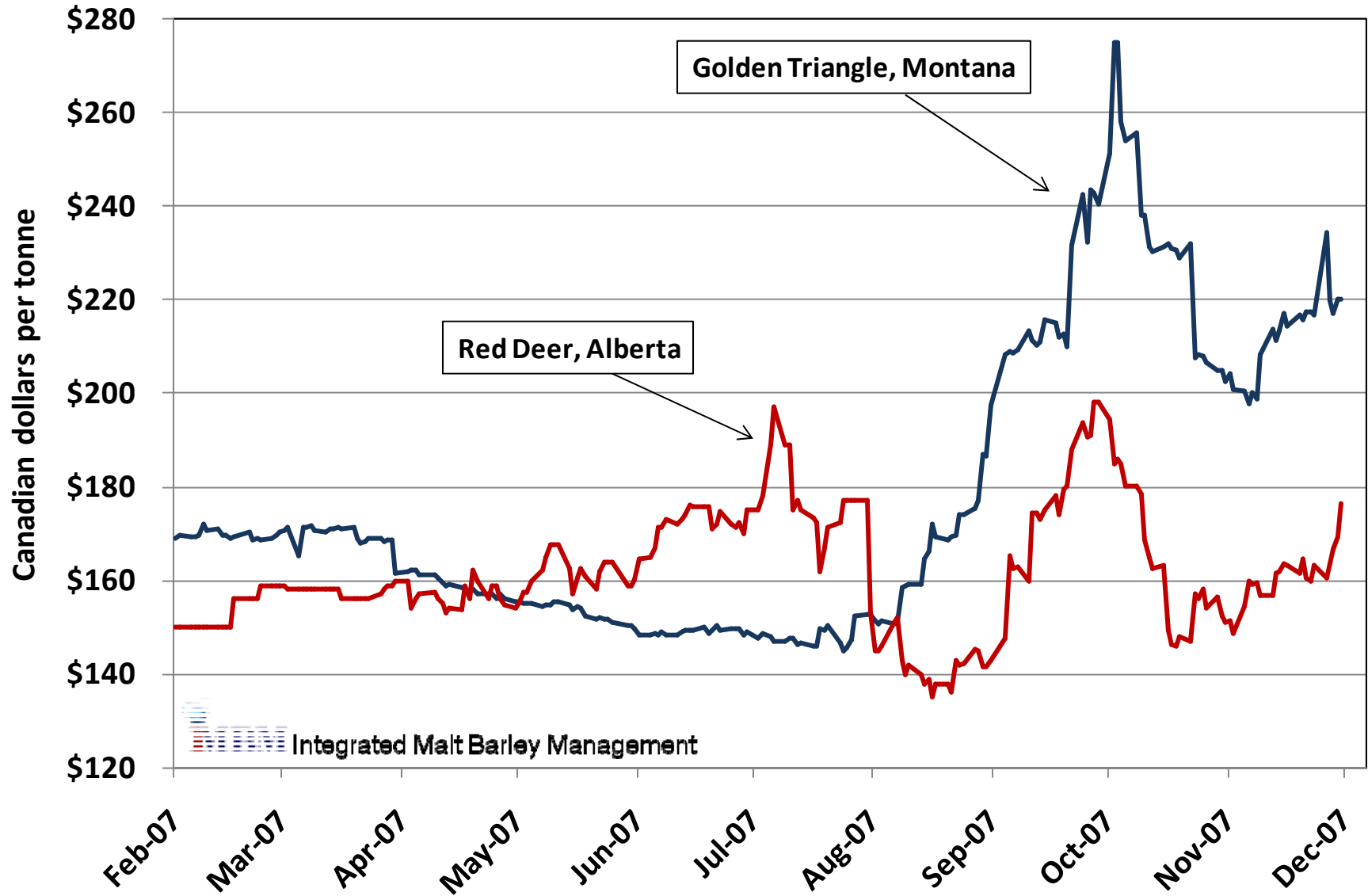
The Business Case for a voluntary CWB  
*CWB Annual Report, 2007/08 crop year:*

- **CWB final return on the top grade of two-row malting barley was \$230.77 per tonne or \$5.02 per bushel. This compares to an average Montana price during the same time period of Cdn \$300.47 per tonne or \$6.54 per bushel.**

Sources: Montana Wheat and Barley Commission; CWB annual report

# Feed Barley Farmgate Cash Price Comparison: Alberta vs Montana

February 1, 2007 to November 30, 2007





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## The Business Case for a voluntary CWB *Operational considerations*

- **Greater cash flow and marketing flexibility – less pressure to sell non-board crops at harvest.**
- **I decide whether to carry inventory over to the next year, not the CWB. Currently a 60% durum call. Impacts cashflow, storage and interest.**
- **Can tailor my contract commitments to the CWB pool to suit my risk management needs**



# Western Canadian Wheat Growers

## The Economic Case for a voluntary CWB

- **More value-added processing. Contrast to canola, oats and special crops.**
- **More private research and development.**
- **Less captive to railways**
- **Less U.S. trade friction**



# Western Canadian Wheat Growers

## The Economic Case for a voluntary CWB

- **Improved industry relations.** Less of an adversarial atmosphere and greater supply-chain cooperation.
- **Reduced system costs – CWB tenders for service.** Currently excess capacity at port.
- **Farmer empowerment.** Unleash entrepreneurial energy.



# Western Canadian Wheat Growers

## The Philosophical Case for a voluntary CWB

- **It's my property!**
- **All Canadian farmers should be treated equally under federal law.**
- **Respect for those who wish to market collectively; respect for those who wish to market on their own.**



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