

Let's tackle the farm income problem first!

PART 1

BY CHERILYN JOLLY-NAGEL

Lately you've been hearing the argument from many farm policy pundits that the federal Conservative government can't move quickly to provide farmers with marketing choice because they first have to tackle the farm income problem. These commentators ignore the fact that the fastest and best way to improve farm incomes is to provide marketing choice. No other policy issue comes close to matching the immediate and positive benefits that would come about by ending the CWB's monopoly.

A whole slew of benefits will come from marketing choice. The one that hits home for me is the improvement in farm gate prices. Those who support the monopoly often point to 10-year-old economic studies that "prove" the CWB earns price premiums. That may be, but if they do earn premiums, they never show up at my farm gate. With the way the CWB throws money around on glitzy ad campaigns and other political nonsense, I'm not surprised.

Plus, consider how the CWB monopoly makes farmers captive to unions, railways, grain companies, the Canadian Grain Commission and everyone else along the supply chain. When you factor in these captivity costs, any premium the CWB may achieve evaporates long before we ever see it.

The CWB and its supporters often refer to the U.S. as a "premium" market. How come? If the CWB is so good at what it does, why isn't the U.S. a "discount" market? After all, U.S. farmers don't have the "advantage" of single-desk selling. All they have is hundreds of sellers out there seeking the best price so they can beat out their competition and buy farmers' grain.

When faced with evidence of higher U.S. farm gate prices, supporters of the monopoly usually counter with the argument: "Yes, but we can't all sell our wheat to the U.S." Of course we can't. That's not the point. The point is, why are U.S. farmers getting a higher return from the marketplace? They don't have the "power" of single-desk selling. U.S. grain sellers and the CWB face the same marketplace. In fact, the U.S. sells about twice as much wheat offshore as the CWB. How is it possible then that the open marketplace in the U.S. offers its farmers a higher average return?

Don't take my word for it, and don't rely on any fancy-schmancy economic study. Simply take a sample of your wheat, go to the nearest U.S. elevator, find out what your grain really is worth, and then compare that to the return you're getting from the CWB. U.S. markets fluctuate throughout the year, but I'll bet more times than not, the U.S. price will be significantly higher, even when you allow for differences in freight.

Earlier this year, we saw a rally in the U.S. futures market for wheat. When the

March PROs came out, I was thinking we'd see a big jump in projected prices — surely the CWB was capturing this rally. What did we see instead? The PROs went down for both old crop and new crop! Was this another case of the CWB sleeping at the switch, or will they find someone else to blame? Maybe it was the Canadian dollar, nasty multinationals, the railways or the Americans — take your pick.

Introducing marketing choice will bring a whole lot of other significant benefits to the ag industry. How many more flour mills will we see? There's a

tracts. This system isn't working. End the monopoly, end the problem.

Farmers in Ontario are reaping the benefits of marketing choice. They responded last fall by seeding record acres into winter wheat. Production is forecast to be record high. Ontario wheat exports to the U.S. have exploded. And after a slow start, even the Ontario Wheat Producers Marketing Board is recapturing market share and proving itself to be an effective marketer.

I'm convinced the CWB could also become an effective marketer in a market choice environment, providing it too had

can be no jumping in and out of the Pool. In our paper, we propose that the CWB should set a date by which every farmer must decide the amount and quality of grain he or she wishes to contract to the Pool account.

It would be up to the CWB to establish the date, and each year this date could vary depending on the lateness of the harvest. In our view, imposing a deadline for contracting grain to the Pool is an essential element of marketing choice because the CWB needs to know exactly how much grain it has in the cupboard to sell during the rest of the year.

Under our proposal, the CWB would also be permitted to contract grain from farmers on either a spot or forward basis at any time during the year. Only grain contracted to the Pool account would need to have a sign-up deadline date.

SHOULD FARMERS VOTE?

Some have argued that the whole marketing choice question should be decided by farmers in a vote. Setting aside the issue that this is not the platform the Conservatives campaigned on, what is to be gained by having a divisive vote? Is marketing freedom something that should be voted on? What other individual freedoms in Canada should be decided by a vote?

The Conservatives also campaigned on a promise to end the gun registry. Is this a matter that should also be decided by a vote among all Canadians, or should the Conservatives simply do what they said they were going to do?

What makes selling wheat and barley so different, that some farmers feel that it should be decided by a majority vote? We don't collectively decide what tractor to drive, what production system to use, or what crops to grow. I would never dream of telling my neighbor how he should produce his crop. Why should he tell me how to sell my crop?

I'm convinced that introducing marketing choice is the best and quickest way to address the farm income problem. Is it the only solution? Absolutely not. But no other single policy change comes anywhere close to providing us with the same opportunity to improve the profitability on our farms.

In the next issue of GRAINEWS, I'll talk about the Wheat Growers proposal for restructuring the CWB. We want it to become an effective marketing choice for farmers, just like the Ontario wheat board has become in that province. In our view, the CWB is going to need a capital base to deal with the loss of the government guarantee of its borrowings and to ensure it remains one of several good marketing options for prairie farmers long into the future. ✍

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Cherilyn Jolly-Nagel says in the Wheat Growers' position paper on providing marketing choice, the CWB needs to restructure, and when it does, it can play a key role in marketing farmers' grain.

great opportunity for rural economic development — wouldn't it be great if a bunch of farmers could band together, start their own flour mill and sell to a dozen bakeries?

Think of the dollars that will be invested in research in wheat — to improve yields and disease resistance and to improve the quality and health attributes of wheat and barley, or to introduce new varieties specifically designed for the ethanol market.

If we had marketing choice, how much durum would be sitting on your farm? This past year, many farmers had little choice but to either build expensive storage or watch their durum lose grades in piles due to the CWB's restrictive delivery opportunities. Stories abound about how some farmers are "cheating" by over-declaring their durum stocks on CWB delivery con-

tracting the right people and the right attitude.

The Wheat Growers have put out a position paper that talks about how the federal government should go about implementing marketing choice. In our view, the Conservative government can honor its campaign commitment and introduce choice without resorting to legislation. It can simply instruct the CWB to provide export permits at no cost (and with no buyback) and to allow processors to buy grain directly from farmers or grain companies. In effect, all the government needs to do is harmonize the regulations across the country, so that prairie farmers can enjoy the same rights and freedoms that farmers elsewhere in Canada take for granted.

For marketing choice to work, the CWB will need to introduce and enforce a good contracting system. The Wheat Growers fully agree that there