

Substantial Farmer Benefits Flow from Marketing Choice

By Cheryl Jolly-Nagel, President, Western Canadian Wheat Growers Association

The Western Canadian Wheat Growers are looking forward with great anticipation to the implementation of marketing choice. We see tremendous benefits flowing to western farmers once we are free to choose whether to market our grain on our own or through a more effective Canadian Wheat Board.

The prospect of marketing choice is generating considerable excitement among many farmers. It's the first bit of good news many of us have seen in a long time – there's every reason to believe that growing wheat and barley will become profitable again.

It hasn't been that way for quite a while. For the past 20 years, prairie farmers have shifted out of wheat in droves. As the chart alongside shows, wheat acreage in western Canada has dropped by more than 10 million acres since the eighties. This lack of profitability in wheat has caused us to grow "too much" canola, peas, lentils, oats, or any other crop that has the prospect of a better return. As a result, many of these other markets are now glutted, placing significant downward price pressure on these crops.

Providing marketing choice gives us an opportunity to turn this around. Marketing choice means farmers will decide for themselves when and where it makes the best sense to deliver and sell their wheat and barley. This past year, for example, many farmers watched in vain as their piles of wheat downgraded in value due to the lack of delivery opportunity. That's one of the problems of a CWB monopoly – it assumes one size fits all, and that every farmer's storage and cashflow requirements are virtually the same. That's not the case. Providing marketing choice gives each of us the ability to decide for ourselves the delivery and marketing options that best suit our farm operation.

The Wheat Growers believe several other benefits will flow from the implementation of marketing choice. We see it as leading to all sorts of entrepreneurial activity, as new investment in value-added processing takes hold, including farmer-owned facilities. In the past 15 years, we've seen tremendous wealth creation in oat processing in western Canada, and we are convinced it can happen in wheat and barley.

More processing facilities here at home means more competitive choices and lower freight costs for farmers. Western Canada was once home to hundreds of flour mills. Will it happen again? I don't know, but we'll never find out if we continue with the same old, same old.

Marketing choice would create a cash market for milling wheat. Think about it – the opportunity, if you so wish, to sell your entire wheat crop on the spot market at a time of your choosing. Canadian grain companies and the CWB would also be able to offer you forward pricing contracts, so you'd have an opportunity to lock-in prices for a portion of your crop, either before, during or after the growing season.

Implementing marketing choice will also lead to the development of new wheat varieties, some grown under identity-preserved contracts, that are better-suited to meeting the needs of end-users. Moving to a freer marketplace will also encourage the development of wheat varieties that are specifically designed to meet the needs of ethanol facilities, or other industrial uses.

The Wheat Growers are convinced that offering marketing choice will improve relations with the U.S. For almost three years, western Canadian hard red spring wheat exports were shut out of the important U.S. market. Lack of access to this market resulted in lower CWB pool returns. We're not saying that marketing choice will solve all of our trade problem with the U.S., but we believe a more open trading relationship is sure to ease the tension. Our trade relationship on wheat certainly can't get much worse than what has prevailed under the single desk.

We recognize the CWB and others have claimed the CWB cannot compete without owning handling facilities. How then do they explain the success of the Ontario Wheat Producers Marketing Board? It started to loosen its grip on its monopoly in 2000 and yet today remains an effective marketing choice for Ontario farmers, despite owning no "bricks and mortar." As the accompanying chart shows, wheat acreage in that province continues to climb, and in fact, Ontario farmers planted record winter wheat acreage last fall. Almost every farmer we talk to in Ontario says providing marketing choice has worked out well, and there's absolutely no suggestion of bringing back the monopoly.

Moving to a voluntary CWB means that each year, individual farmers will have to decide, through binding contracts, how much grain to commit to the CWB. At all times, the CWB will need to know exactly how much grain it has in the cupboard, so that it can contract with its customers with confidence. Given its network of buyers and longstanding reputation among several customers, there's every reason to believe the CWB will remain an attractive, competitive option for many farmers.

The Wheat Growers has a long history of promoting positive reforms to the CWB, including pricing and payment options, protein payments, pool return outlooks and many other progressive changes. We consider marketing choice as a further positive step in the CWB's evolution.

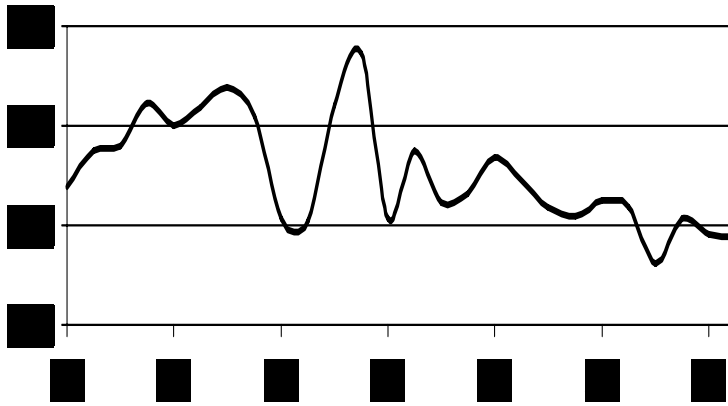
Yes, we recognize the CWB will need to sharpen its pencil to remain the preferred choice of farmers. But with the right attitude and the right people, we are convinced it can remain a valuable marketing option for most farmers in western Canada.

The Wheat Growers see the implementation of marketing choice as a great opportunity to make wheat and barley profitable again. It offers the best chance to restore enthusiasm and pride among young and not-so-young farmers, and to revitalize many rural communities right across western Canada.

Western farmers now have an excellent opportunity to embrace marketing choice and define our futures. Let's rekindle the pioneering spirit of our forefathers and look forward with renewed confidence at the great possibilities that lie ahead.

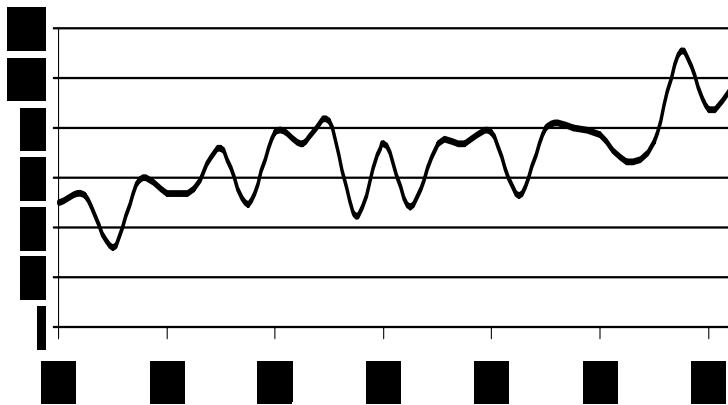
Cheryl Jolly-Nagel farms at Mossbank, Saskatchewan

Wheat acreage, Western Canada, 1980 – 2005 (000's acres)



Source: Canada Grains Council, harvested acreage

Harvested wheat acreage, Ontario, 1980 – 2005 (000's acres)



Source: Canada Grains Council, harvested acreage