

Grain marketing: will there be change?

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Grain and oilseed marketing

- Little debate that farmers are not receiving sufficient returns from the market to cover the cost of production for grains and oilseeds
- Need to introduce new ideas into the Canadian grains and oilseed sector
- Any change to marketing institutions (including the CWB) will not in itself solve this problem

Why change the CWB?

- Most pressing reason is that the current government promised “choice” in their campaign material
- Still pressure for change from WTO partners
- Is a marketing board the “optimal” intervention for farmers?

Why not change the CWB

- In the case of wheat the premiums still exist Lavoie AJAE, 2005.
- What are the implications for rail transportation – farmers will demand the government to regulate some aspects of the industry
- The CWB is trying to accommodate many of the wishes of producers
- Do the majority of farmers want change?

How change may occur?

- Let me be clear – I have no inside information on this process
- First, I look for a change to the government appointed members of the CWB board
- Once a new board is in place they may lead the “change process”

Alternate mechanisms

- Government could appoint an independent group made up of “change” advocates
- Government could make change from within the bureaucracy or caucus/cabinet
 - Moral suasion of the CWB board/management
 - Order-in-Council
 - Introduce a legislative amendment

What needs to be known?

- Most people are not familiar with the new CWB Act
- My understanding is that an OC change as to which grains are under the single-desk authority requires a producers vote
- Legislative change is a long and often unpredictable process

Things to be careful of

- If the CWB board makes a change that disadvantages the pool account it may end up in litigation
- A litigation process may stop all change for a long period as it makes its way through the court system
- Farmers are watching and do not want a major problem to occur in the grain marketing or transportation system

Most interestingly “change to what”

- The government may tinker and remove the CWB monopoly in the domestic market
- A second alternative would be to remove barley from the CWB in the same way oats was removed in 1989 (but under the procedural rules of the new Act)
- Finally, the government may decide to move totally away from the single-desk concept

Expanding the major change options

- The primary option discussed is to allow for a “dual market”
 - A dual market is an open market
 - No one will enforce the contracts required for a dual market
 - The CWB can not operate the way it does today in an open or dual market
 - What the CWB would do in such a situation is questionable, most likely fade away after a number of years

A new grain co-operative

- In my view the only dual market option would be to transform the CWB into a producer owned co-operative grain company
- Its form and objectives would bear no resemblance to a “marketing board”
- It would need assets at country and port position

Problems with this alternative

- It would be a competitor to the existing grain companies
- Government would have to help pay for the transition
- Existing supporters of the CWB will oppose this change

Positives about this alternative

- Would allow for a Canadian farmer co-operative to move forward in a globalizing market place

- Would allow for some very interesting and long term developments with multinational co-operatives. Farmer power of the future

- Ease domestic and international strain

Other issues needing evaluation

- If we are able to look at the total industry there are a number of other pieces that need careful examination
- Identity preservation
- Kernel visual identification
- Role of the Canadian Grain Commission
- Farm income policy
- Only a few

Complete evaluation of the industry

- We need a complete evaluation of the institutions and policies to determine what is “optimal” for the future

- The time may be now for such a review

Conclusions

- I am not recommending any particular course of action
- If a dual market is chosen, a producer co-operative is the only way farmers can maintain some form of market power – outside direct government legislation
- Who will lead this evaluation and development process?
- Change will be slow because it is very complex