Western Canadian Wheat Growers

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Ongoing Cost of CWB Monopoly is Simply Too High

The Western Canadian Wheat Growers Association is urging the Canadian government to reconsider its support of the CWB monopoly, as its ongoing support of the monopoly is hurting western Canadian farmers.

"The cost of maintaining this government-sanctioned monopoly has become too great," says Cherilyn Jolly-Nagel, President of the Wheat Growers. "Any possible benefits of the monopoly are far outweighed by the costs."

The comments by Jolly-Nagel come in the wake of a decision by the U.S. government to lower its tariff against Canadian hard red spring wheat imports by a mere 2.75 per cent. The Canadian Wheat Board (CWB) admits the imposition of U.S. tariffs is costing western Canadian farmers $50 million annually in lower prices and a further $15 million in legal costs.

Earlier this year, the CWB indicated that it expected the U.S. to "move quickly" to lift the tariffs following the release of a favourable NAFTA ruling. On Monday, the U.S. Department of Commerce agreed to lower the overall tariff from 14.15 per cent to 11.40 per cent.

Tariffs on Canadian exports of hard red spring wheat have been in place for over two years, resulting in a significant loss in revenue for western Canadian farmers. The Wheat Growers note there is no US tariff on winter wheat exports – the main wheat crop grown in Ontario – so farmers in that province have been largely unaffected, and continue to export significant quantities of wheat to the U.S.

In July, an official of the European Union (EU) also indicated that it has no intention of eliminating EU export subsidies until Canada gives up its CWB monopoly. Ongoing EU export subsidies on wheat, barley and oats continue to hammer world prices and lower returns to Canadian farmers.

"We now have both the EU and US clearly targeting the Canadian Wheat Board monopoly," says Jolly-Nagel. "At what point do we say 'the customer is right' and start changing our selling approach?"

In the past 20 years, acreage devoted to wheat in western Canada has dropped from 34 million acres to 24 million due to wheat's comparatively low profitability under the CWB monopoly. In contrast, Ontario wheat acreage has increased following the decision to give Ontario farmers full marketing choice in 2003.

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“No one’s getting rich growing wheat in western Canada,” says Jolly-Nagel. “Why should we be forced to stick with a model that clearly isn’t working?”

As evidence, Jolly-Nagel pointed to the extremely low initial prices announced by the CWB last week for the 2005/06 crop year. At her local elevator, the initial price is $1.99 per bushel for #1 wheat (12.5% protein), $2.22 per bushel for #1 durum, $1.15 for malt barley, and $0.32 for feed barley.

In addition to providing low prices, the CWB monopoly forces western Canadian farmers to incur excessive storage and interest costs. In the crop year just ended, the CWB accepted only 68% of the mid-quality durum offered by prairie farmers, forcing many farmers to purchase additional bin space and bear higher interest payments as a result of their reduced cashflow.

“We can’t make money at these pathetically low prices, especially when it’s combined with these extra costs,” says Jolly-Nagel. “What we need is for the federal government to give prairie farmers the same marketing choices they have in Ontario, so that we too have an opportunity to market our wheat and barley at a profit.”

The WCWGA, an independent producer organization, has spent 35 years bringing forth innovative farmer-driven solutions and will continue to lobby on behalf of forward thinking, progressive producers in an effort to make farming sustainable and profitable.

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