



For Immediate Release

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Informa Study Shatters CWB Premium Myth

A comprehensive new study by Informa Economics, entitled “An Open Market for CWB Grain” estimates the Canadian Wheat Board is costing prairie farmers between \$450 and \$628 million per year in lost revenue and higher system costs.

“This study confirms what most farmers have known for years – that our returns would be much higher under an open market,” says Cherilyn Jolly-Nagel, President of the Western Canadian Wheat Growers Association. “The study proves there is absolutely no evidence the CWB monopoly gets us higher returns and in fact, proves quite the opposite.”

The multi-year study by Informa, commissioned by the Alberta government, estimates that an open market would improve prairie farm returns by a minimum of \$20.34 per tonne for wheat, \$39.54 per tonne for durum wheat, \$13.72 per tonne for feed barley and \$25.57 per tonne for malting barley.

These estimates factor in the higher price returns an open market would achieve, as well as higher system costs and interest costs imposed on farmers by the CWB monopoly.

Unlike previous studies that have claimed to demonstrate benefits of the CWB monopoly, all of the data used in the Informa study is from verifiable publicly available sources.

“It’s good to see this study put to rest many of the myths perpetuated by the CWB,” says Rolf Penner, Manitoba Vice President of the Wheat Growers. “Many of us have gathered our own data showing the CWB’s poor price performance and so it’s good to see this confirmed by such a highly respected firm.”

The Wheat Growers hope the study will help convince federal legislators to finally provide prairie farmers with the marketing freedom that is now enjoyed by farmers in Ontario and elsewhere in Canada.

“In the face of these findings, how can anyone rationally justify the CWB monopoly?” asks Jolly-Nagel. “Whether you want to argue the case on economic or philosophical grounds, there’s no justification for denying each of us the right to sell our own grain.”

The attached backgrounder details some of the more significant findings of the study.

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Backgrounder

Key findings of “An Open Market for CWB grain”, an economic study conducted by Informa Economics:

- Over the past 5 years, Canada has held a 14.5% market share of world wheat exports and an 11.0% share of world barley exports.
- The CWB has little market power. Of the 91 countries to which Canada exports wheat, only one (Ecuador) exhibits characteristics suggesting that Canada has sufficient market power to leverage prices. Of the 41 countries to which Canada exports durum, market influence could potentially be exercised in six. For barley, there are no countries in which Canada exerts market influence.
- An analysis of Canada’s selling prices, based on the United Nations Commodity Trade Statistics database, shows the CWB does not achieve a premium in any wheat markets, with the possible exception of Japan. Even here, any potential premium in this market “is insufficient to compensate for the lower prices [obtained] in other markets.”
- Based on a survey of elevator prices of hard red spring wheat over the past five years, Saskatchewan farmers have received \$15.97 per tonne less, on average, than farmers in North Dakota. On durum, the difference is \$12.29 per tonne. The difference is \$21.11 per tonne on six row malting barley and \$5.51 per tonne on two row malting barley. On feed barley, the difference is \$2.85 per tonne.
- In eight out of the last nine years, canola prices received by Canadian farmers have been higher than prices received by U.S. farmers.
- The cost of handling and transporting Canadian wheat and durum to port is higher than for canola. Based on data collected by Quorum Corporation over the past seven years, Informa found the average export basis is \$55.80 per tonne for spring wheat, \$68.64 for durum, \$45.37 for canola and \$67.19 for peas. Costs per tonne are trending down for non-CWB crops and trending up for CWB crops.
- Movement of CWB grains is less efficient. CWB grains spend longer time in storage in primary elevators. Over the past eight years, wheat has averaged 42 days in storage at primary elevators, durum has averaged 52 days and barley (most of which is non-board) has averaged 28 days. This compares to 24 days for canola, 29 days for oats, 27 days for peas and 30 days for flax.
- CWB grain generally spends longer time in storage at terminal elevators than canola and peas. Over the past eight years, wheat has averaged 18 days, durum has averaged 21 days and barley (entirely CWB) has averaged 41 days. This compares to 17 days for canola, 29 days for oats, 12 days for peas and 27 days for flax.
- Over the past 20 years, CWB administrative costs have risen by an average of \$1.99 million per year or an average rate of increase of 7.2%.
- Spring wheat acreage in western Canada in the most recent 5 year period is 37% lower than the 5 year period in 1986-90. Durum acreage is down 6% and barley is down 9%. By contrast, canola is up 85%, oats up 26%, lentils up 331% and peas up 611%. Wheat acreage in eastern Canada has climbed by 33% over the same time period, with most of that increase occurring since the Ontario Wheat Producers’ Marketing Board changed to a voluntary marketing organization in 2003.