



For Immediate Release

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CWB Annual Report Confirms Huge Trading Losses

The Canadian Wheat Board's annual report released yesterday confirmed that the CWB suffered huge financial losses in its producer pricing options in the 2007/08 crop year. These losses amounted to \$89.5 million, or almost \$20 per tonne, and come on top of \$39.9 million in losses on these pricing options in the previous year.

The \$89.5 million loss was charged against the CWB's contingency fund, which now rests with a negative balance of \$28.9 million. The losses on the CWB's pricing options (including the fixed price, basis price and daily price contracts) were partially offset by gains on cash trading activities (\$20.0 million), early payment options (\$3.1 million) and excess interest earnings on the feed barley pools (\$2.1 million). The CWB also transferred \$25.5 million from the pool accounts to the contingency fund, resulting in a net decrease of \$38.8 million in the contingency fund.

The annual report also indicates that the CWB lost \$226 million in "discretionary commodity trading activity". It is not clear how much of these losses were allocated to the producer payment options versus the pool accounts.

The Wheat Growers are confounded by the huge trading losses in the CWB's pricing options, given that basis levels to prairie farmers during the year were often very unattractive compared to basis levels for spring and winter wheat that were visible at northern U.S. elevators.

"If anything, the CWB should be making significant profits on these price programs, given the discounts Canadian farmers see relative to U.S. farmers," says Rolf Penner, Manitoba Vice President of the Wheat Growers. "It appears as if the CWB was asleep at the switch and got caught on the wrong side of the market."

The huge losses in its trading activity suggests the CWB does not have a good risk management program in place.

The Wheat Growers also strongly object to the transfer of funds between the pool accounts and the contingency fund. While the CWB says that it intends to pay back the money to the pool accounts, the Wheat Growers note that the group of farmers in the various pool accounts, and the amount of grain they deliver to the pools, can vary substantially from year to year.

"The role of the CWB is not to arbitrarily redistribute wealth among farmers," says Kevin Bender, President of the Wheat Growers. "The Wheat Growers have repeatedly asked the CWB to ensure there is no cross-subsidization between the pool accounts and the pricing programs."

The Wheat Growers fear that pricing options will be unattractive in future years as the CWB attempts to recoup its losses in the past two years.

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The Wheat Growers are also alarmed about the continuing lack of cost control at the CWB. The Informa study released last year showed that the CWB's administrative costs have increased an average of 7.2% annually over the past 20 years. The latest report shows costs increased a further 5.0% . The Wheat Growers wrote to federal Agriculture Minister Gerry Ritz earlier this week asking him to rein in the out-of-control spending at the CWB.

“This all points to the need for a voluntary CWB,” says Bender. “Farmers should not be forced to pay for the mistakes of others. Just as Canadian investors are free to choose their stockbroker, prairie farmers should be free to choose their grain marketer.”

For further comment, please contact:

Kevin Bender
President
(403) 350-4949

Rolf Penner
Manitoba Vice President
(204) 746-0129