



*For Immediate Release*

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## **Prairie durum growers receive lower returns, restricted delivery**

Western Canadian durum growers are facing comparatively low returns and limited delivery opportunities this year under the Canadian Wheat Board's restrictive monopoly.

The Canadian Wheat Board's projected pool return for #1 durum (13.0% protein) now rests at \$8.51 per bushel, basis Alberta, which is more than a dollar per bushel, or 12% below comparable U.S. prices. The elevator price in the "Golden Triangle" region of Montana has averaged Cdn \$9.71 per bushel thus far in the current crop year.

"The CWB monopoly is costing me and other farmers a bundle," says Stephen Vandervalk, Alberta Vice President for the Western Canadian Wheat Growers Association. "Not only are we forced to accept lower returns but we aren't even allowed to deliver all our durum."

In the current crop year, the CWB has accepted 74% of the tonnage amount contracted by durum growers. The CWB has indicated that it does not intend to make any further durum contract calls for the remainder of the crop year, ending July 31, 2009. This means that prairie farmers will be required to carry over their food quality durum into the next crop year or sell it into the lower-priced feed market.

The prospect of carrying over durum supplies means that farmers will incur extra storage costs. It also means that farmers will have to wait until December 2010 to receive full payment for their 2008 durum crop. Many farmers who purchased crop inputs in the fall of 2007 for their 2008 crop will end up paying interest on loans for over three years while waiting for the CWB to market their grain.

The Wheat Growers believe the decision on whether to carry over grain inventories to the following year should rest entirely in the hands of the individual farmer. The prairie region is the only area of Canada where farmers are compelled to carry over wheat supplies by a monopoly imposed by Parliament.

"CWB employees should not have the power to restrict my grain sales and limit my earnings," says Cherilyn Jolly-Nagel, Past President of the Wheat Growers. "The decision to hold inventory or not is a basic business decision that should be left in the hands of the farmer."

In a letter to the Hon. Gerry Ritz, federal Minister of Agriculture, the Wheat Growers are calling on the Minister to give prairie farmers the ability to sell directly into milling markets that portion of their 2008-09 CWB durum contracts that remains unaccepted by the CWB.

The following backgrounder provides further details on the issue. The Wheat Grower letter to Minister Ritz is available upon request.

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## Background

- Each year prairie farmers sign a contract specifying how many tonnes of wheat they wish to deliver to the CWB. The CWB has the right to accept all or a portion of the contracted amount.
- In the current crop year, which started August 1, 2008 and ends July 31, 2009, the CWB has accepted 74% of the total tonnage contracted by durum growers. While the CWB may still accept more tonnage, farmers face the prospect of carrying over durum wheat supplies to the following crop year.
- The uncertainty over contract acceptance means that farmers will incur extra storage costs and in some cases, will need to build new bin space to accommodate this year's expected harvest. Some farmers may also have to incur the cost of moving durum supplies from half-empty bins to smaller bins, to make way for new crop supplies, given there's no assurance new crop durum will be of the same grade as old crop durum.
- Inputs (e.g. fertilizer, fuel) to produce the 2008 durum crop will have been purchased by some farmers in the fall of 2007. A decision by the CWB to not accept all contracted tonnage in 2008/09 means that farmers will have to finance a portion of these expenses until December 2010, when the final CWB payment for deliveries made in the 2009/10 crop year is issued.
- The restrictions on delivery of CWB crops means that farmers are often forced to sell other non-CWB crops (e.g. canola, oats, peas, lentils, etc.) earlier than they would like, in order to meet bill payments. The restricted delivery opportunity on CWB crops reduces the potential of farmers to store other crops to take advantage of subsequent price rallies.
- Durum prices received by farmers in Montana's "Golden Triangle" region (an area that abuts southern Alberta) have averaged Cdn \$9.71 per bushel in the crop year to date (i.e. August 1, 2008 to May 27, 2009) for #1 durum (13.0% protein). By comparison, the CWB's Pool Return Outlook for #1 durum (13.0% protein) for the 2008/09 crop year is \$8.51 per bushel, basis Alberta. For an Alberta farmer who grew a 50 bushel per acre durum crop, the comparative loss is \$60 per acre, not counting additional storage and interest costs. [note: U.S. durum prices are available from the Montana Wheat & Barley Committee at: [http://wbc.agr.mt.gov/Producers/pricing\\_current.html](http://wbc.agr.mt.gov/Producers/pricing_current.html) Durum price quotes were taken from the low end of the range. Spreadsheet available upon request].
- To verify the above U.S. price series, the Wheat Growers also examined an index of durum price quotes obtained from approximately 40 U.S. elevators in northern tier states published by the Minneapolis Grain Exchange. This data shows the average U.S. durum price in the crop year to date has been Cdn \$9.50 per bushel. The CWB's Pool Return Outlook for #1 durum (13.0% protein) for the 2008/09 crop year is \$8.41 per bushel, basis Saskatchewan (where most durum wheat in Canada is grown). The U.S. index is available at [http://www.mgex.com/history/historical\\_new.cfm](http://www.mgex.com/history/historical_new.cfm) and again, our spreadsheet is available upon request.