

The Prairie Voice

Spring 2006

"Carrying the Torch," From the President, Cherilyn Jolly-Nagel

One of the things that makes me so proud to be part of the Wheat Growers is I get to build on the work and success of Wheat Grower trailblazers. For example, it was dedicated leaders like Kevin Archibald, Larry Maguire and Alanna Koch who led the charge in the 1990s for the implementation of Canadian Wheat Board (CWB) forward pricing options. This effort led to legislative changes in 1998 that allowed the CWB to offer payment and pricing options other than pooling.

The CWB started to offer forward pricing options in 2000. In the first few years, uptake was quite limited as pricing windows were narrow and the opportunities few. However, the CWB gradually expanded the forward pricing options and in 2004-2005, farmers marketed over 1.1 million tonnes of wheat under these programs.

While this should be a good news story, unfortunately it is not. When the CWB released its 2004-2005 annual report this spring, the Wheat Growers discovered farmers who contracted grain under these programs had been shortchanged. The CWB

made a profit of \$27.14 per tonne and generated a windfall profit of \$31.8 million on these contracts.

Now let me be clear. It is not so much that the CWB made a profit that bothers me – the Wheat Growers fully realize profits or losses can occur on these contracts due to changes in basis levels. And in 2004, the poor harvest conditions caused significant downgrading and led to a strengthening in basis levels on high quality wheat.

No, what bothers me is what the CWB did with the resulting windfall. Instead of returning these funds to the farmers affected, the CWB elected to top up the contingency fund to its \$50 million limit and transfer \$7.5 million into the pool accounts.

While the amount transferred to the contingency fund seems excessive, I can begrudgingly accept the top-up because I recognize the CWB needs a financial cushion in order to backstop losses on these forward pricing contracts. However what I absolutely cannot accept is the decision by the CWB board of directors to dump \$7.5 million into the pool accounts.

The CWB has always insisted the pool accounts should remain completely unaffected by the forward pricing contracts. I agree with that policy – there should be no cross-subsidization in either direction. Why then did the CWB take money from those farmers who contracted grain under these programs and give the money to others? This is a blatant violation of the CWB's own principles. If a refund is owed to farmers, shouldn't it go back to those who were responsible for creating it? To me that's a pretty straightforward business concept – one that seems to be lost on most CWB directors.

This latest episode underscores my belief the CWB gives preferential treatment to those who remain in the pool accounts. As most of you will know, the basis levels under the CWB's forward pricing contracts do not often reflect a "true" basis, that is, the basis level that would prevail under a more open market.

The Wheat Growers suspect the reason for this is the CWB does not want farmers who use these contracts to get higher returns than those who remain in the pool. If it is determined, for example, that returns under these forward pricing contracts are consistently better than the pooled returns, the CWB would be forced to admit its highly touted single desk does not provide farmers with any real benefits – and that pricing straight off U.S. futures markets provides farmers with higher net returns.

Many farmers, including myself, have benefited from these forward pricing contracts so we owe a debt of thanks to those Wheat Growers who paved the way. However, I believe the CWB's discriminatory pricing policies are preventing progressive farmers from capturing the full benefits these forward pricing contracts were designed to offer.

What we really need to see is an honest basis. The only way that's going to happen is if we are provided with full marketing freedom. The responsibility for achieving this falls to the current crop of Wheat Growers. I, for one, am more than happy to help carry that torch. □

Wheat Growers Member Dinner and Tradeshow Display at Farm Progress Show

Join us for a member dinner on Wednesday June 21 during the Western Canadian Farm Progress show in Regina, SK. The cost is free for Wheat Grower members and \$20 for non-members. Tickets must be reserved in advance by calling 306-586-5866 or emailing info@wheatgrowers.ca. The evening takes place in Salon A of the Queensbury Convention Centre on the Regina Exhibition Grounds, beginning with cocktails at 6:00 p.m., followed by dinner at 6:30 p.m. The guest speaker will be Trenton Baisley, CEO of FarmPure - Family of Companies. Thanks to our dinner sponsors, Arysta LifeScience Canada, FarmPure - Family of Companies, Green-Trac SprayMasters and James Richardson International. While at the Farm Progress Show, be sure to visit the Wheat Grower booth, #3410 in Banner Hall.

Wheat Growers in Action . . .

- On March 7 and 8, Grant Dyck, Director, represented the Wheat Growers at a board meeting of the Western Grains Research Foundation.
- On March 8, President Cheryl Jolly-Nagel participated in a round table meeting in Regina with Federal Agricultural Minister Chuck Strahl.
- From March 14 to 16, WCWGA held its 36th Annual Convention in Saskatoon with over 120 in attendance. We heard from 18 speakers on topics ranging from biofuels, trade, grain grading, research, marketing and farming in Australia. At the convention, the Wheat Growers also released its position paper on reforming the CWB.
- On March 30, Cheryl Jolly-Nagel met with officials from Meyers Norris Penny who are conducting a review on mandatory inward weighing and inspection on behalf of the Canadian Grain Commission. The Wheat Growers maintain that making some of these services optional, and allowing private inspectors in certain circumstances would result in significant cost savings for farmers.
- President Cheryl Jolly-Nagel was the guest speaker at the Moose Jaw Rotary Club farmer appreciation luncheon, held on April 3. Cheryl brought a positive message about agriculture and the future of farming.
- On April 10, Bill Rusk, Director, participated in the Canadian Grain Commission's Western Standards Committee meeting. The Committee made several recommendations on grading changes, however decided to wait another year (i.e. until August 1, 2007) before introducing falling number grading or to eliminate HVK (hard vitreous kernels) as a grading factor. The Wheat Growers issued a media release commenting on our disappointment with the HVK decision
- Stephen Vandervalk, Alberta Vice President, participated in the Grain Growers of Canada board meeting in Ottawa on April 10 and 11. While in Ottawa, Stephen was part of a group that met with Ag Minister Chuck Strahl, CWB Parliamentary Secretary David Anderson and five other Members of Parliament.
- On April 18, Joe Janzen, Manitoba Vice President, participated in a trade workshop hosted by Manitoba Agriculture Minister Rosann Wowchuk.
- Mike Bast, Chair, and Directors Geoff Hewson and Gerrid Gust, met with several politicians at a reception in Regina on April

19 hosted by CropLife Canada in partnership with several other Saskatchewan farm groups.

- On April 24, the Wheat Growers sent a letter to the Canadian government seeking to ensure the Canadian Wheat Board is included as one of the federal institutions that is subject to the Accountability Act and the Access to Information Act.
- On April 25, Blair Rutter, Executive Director, represented the Wheat Growers at the National Forum on Seed meeting held in Winnipeg. The Forum is aimed at building industry consensus on changes to the variety registration system and other seed policy matters.
- On May 3, the Wheat Growers issued a media release regarding the federal budget. We were pleased to see an additional \$1 billion allocated to agriculture, however we noted the real solution to the farm income situation requires policy action in a number of areas including marketing choice, a biofuels strategy, improvements to rail service and accountability, tax relief on inputs, a good WTO trade deal, and regulatory changes that promote innovation and improve our competitiveness.
- On May 3 and 4, Blair Rutter, Executive Director, attended a bio-science regulatory workshop in Ottawa hosted by CropLife Canada. Presentations were made from several government and industry officials on the registration of new products, molecular farming, trade in biotech crops, the biosafety protocol, and the variety registration system.
- Blair Rutter, Executive Director, attended a Transport Canada industry consultation on May 5 regarding proposed amendments to the Canada Transportation Act. The Wheat Growers are seeking amendments that will lead to improvements in railway service and rates.
- On May 10, the Wheat Growers issued a media release supporting the federal government's decision to retain the hopper cars and to reduce the allowance for maintenance costs embedded in the revenue cap. The reduction in maintenance costs is expected to save farmers \$2.00 per tonne on their freight bills. □

Best Wishes to Former Chair

Congratulations to Rancy Hoback who stepped down from the WCWGA Board of Directors in February to become an assistant to MP David Anderson, Parliamentary Secretary to the Federal Minister of Agriculture and Agri-Food. Randy and his wife, Geri, have rented out the farm in Canwood, Saskatchewan, and taken up residence in Ottawa. Best wishes Randy in your new career path.

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