

Western Canadian Wheat Growers Association

Presentation to the House of Commons Standing Committee on Agriculture and Agri-Food Ottawa, ON

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Kevin Bender, President

- Thank you Mr. Chairman and members of the Committee for the opportunity to share our views on the CWB's financial and marketing performance.
- As you are aware, the CWB incurred \$90 million in financial losses in its pricing options in the 2007/08 crop year. These losses amounted to almost \$20 per tonne on the 4.5 million tonnes marketed under the three pricing programs it offered to farmers.
- The CWB might be forgiven for incurring these losses if it meant Canadian farmers had received a \$20 per tonne price premium under these programs. However, that was not the case.
- In fact, a study by the C.D. Howe Institute released last November found that the average price available to prairie farmers for their spring wheat under the Wheat Board's Daily Price Contract was almost \$33 per tonne **below** the average daily price available at U.S. elevators.
- So in effect, prairie farmers lost over \$50 per tonne under these programs – the \$20 per tonne hit that they took on the CWB's books, plus the \$33 per tonne direct hit to our pocketbooks.
- Bear in mind too that the CWB's Daily Pricing Contract was the CWB's **very best** pricing vehicle in the 2007/08 crop year. The CWB's pool return for wheat was actually a further \$17 per tonne below the average daily price values. No matter how you slice it, the CWB's performance in the 2007/08 crop year was abysmal.
- Now of course, this doesn't stop the CWB from bragging about the record returns it provided to farmers. Of course there were record returns – wheat prices on the world market were more than double what we had ever seen before. In bragging about record returns, the CWB is simply trying to mask its true marketing performance.
- The CWB's poor marketing performance in the 2007/08 crop year was not a one-time event. The Informa study found that farmgate returns provided to U.S. farmers in the open market were higher than what Canadian farmers received in five of the past six years, for both spring wheat and durum wheat.

- The CWB's price performance in the current year is no better. For example, the projected pool return outlook for spring wheat is currently \$41 per tonne (more than a buck per bushel) **below** the average daily price over the past nine months at 300 U.S. elevators tracked by the Minneapolis Grain Exchange. For a prairie farmer who grew 500 tonnes of wheat, the net bottom-line loss amounts to over \$25,000.
- It also appears as if the CWB has widened the basis on its forward price options in the current crop year in an attempt to recoup the recent losses to the contingency fund. For example, yesterday in Manitoba, the CWB was offering a price of \$6.39 per bushel for #1 spring wheat for fall delivery. This is exactly Cdn \$1.00 per bushel **below** prices on offer for fall delivery at U.S. elevators. For winter wheat, the penalty for dealing with the CWB is even greater. Yesterday, the price offered on the CWB's forward price contract on winter wheat was \$1.55 per bushel **below** the forward price being offered at U.S. elevators. The Wheat Growers do not believe we should be forced to accept the low prices offered by the CWB. We should have the opportunity to directly lock-in forward prices if we so choose, as is the case for all other crops.
- The Wheat Growers will be providing Committee members with our spreadsheets and calculations so you can verify this information.
- In the face of all this evidence, the CWB continues to boast that it captures a premium for prairie farmers. And yet, year in, year out, the returns the CWB provides are invariably lower than the returns provided by the open market.
- Please note this is not about selling more wheat into the U.S. If the border is open, then U.S. prices would flow north. Arbitrage would ensure that prices on one side of the border would be essentially equal to prices on the other side, net of freight differences. Under an open market, you would not see these price discrepancies of a dollar per bushel or more.
- Prices would arbitrage just like they do in the canola market. In fact, in canola, the Informa study found that in eight of the past nine years, the returns provided to Canadian canola producers were modestly higher than our counterparts in the U.S. This demonstrates that the Canadian open market can compete very effectively and obtain good returns to farmers, when it is allowed to function.

- The Wheat Growers have called on the government to appoint an independent firm to conduct a thorough investigation of the CWB's trading activities in the 2007/08 crop year. The firm should be mandated to discover why proper risk management systems were not in place. It should also investigate whether there were any breaches in CWB management policies and recommend measures to prevent such trading losses from recurring.

- The Wheat Growers would support the appointment of the Auditor General to conduct the investigation, providing it is given a wide scope of investigation, and is given the resources to hire expertise in commodity trading and risk management.
- The Wheat Growers support a voluntary CWB. We fully appreciate and respect that some farmers want to use the grain marketing services of the CWB. What we don't accept is being forced to use their services. Many of us want to either contract the services of another grain company or market our grain on our own. That is the option that is available to farmers elsewhere in Canada.
- The Wheat Growers do not believe the federal government should be discriminating against farmers based on where they live. We simply want the same dignity and respect shown to prairie farmers that is shown to farmers in Ontario and elsewhere in Canada. It should not be illegal for farmers in one part of the country to sell their grain direct to processors when farmers in other parts of the country are perfectly free to do so.
- The Wheat Growers believe all Canadians should be treated equally under the law. We ask your Committee to recommend an end to this discriminatory federal grain marketing policy.
- At the very least, the Wheat Growers want the opportunity to market our grain under the same terms and conditions now available to prairie producers of organic grain. Currently the CWB provides preferential treatment to organic grain producers, by giving them the opportunity to buy back their wheat for a nominal fee (currently 21 cents per bushel for wheat, 16 cents per bushel for durum).
- The Wheat Growers certainly support the choice of those farmers who engage in organic production methods. However, we believe the CWB should be treating all farmers equally and not discriminating against certain producers solely on the basis of their method of production. Again, we ask you to recommend that the Minister instruct the CWB to treat all farmers on an equitable basis.
- The Wheat Growers also ask for your support in recommending changes to the CWB election rules that would ensure only actual producers are allowed to vote for CWB directors and that a minimum tonnage threshold be introduced, so that those with little or no economic stake do not have more say than those who depend on farming for their livelihood.
- In the past two elections the CWB has mailed out ballots to over 62,000 permitbook holders, even though 18,000 of them account for 80% of the deliveries. In other words, we now have a situation where those representing 20% of the deliveries get 71% of the votes. We believe this goes a long way in explaining why the CWB election results do not reflect the majority of farmers, certainly the majority of farm production, that supports a voluntary CWB.
- Thank you for the opportunity to share our views. We look forward to your questions.