

**Western Canadian Wheat Growers Association**  
**Submission to the**  
**Canadian Wheat Board Election Review Panel**  
**September, 2005**

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The Western Canadian Wheat Growers Association welcomes this opportunity to present its views to the CWB election review panel. The Canadian Wheat Board is an important marketing vehicle for many western farmers. It is therefore vital to ensure the process for electing its directors leads to a governance system that reflects the best economic interests of western Canadian farmers.

The Canadian Wheat Board is facing significant challenges. Over the past decade, Canada's share of the world wheat market has declined from 20% to 15%, and for barley, from 19% to about 10%. Ongoing trade challenges from the United States, pending changes at the WTO, increased competition from Australia, Argentina and countries of the Former Soviet Union, as well as constraints on variety development here at home are among the challenges confronting the CWB. To address these issues, the Wheat Growers would have preferred a more comprehensive review of the Canadian Wheat Board Act. However, we consider this director election review process to be an important first step toward helping the CWB overcome these challenges.

In our view, your panel and the Canadian government should look to Australia for guidance in helping to modernize the CWB election process and the Board's mandate. We note AWB Limited (formerly the Australian Wheat Board) is subject to a formal statutory review every five years, and as such a process is in place to ensure Australia's wheat marketing agency is better reflecting the needs of its growers. While it may be somewhat stretching the scope of your review, we would encourage your panel to recommend such a formal five-year review process to the Canadian government.

The Wheat Growers are pleased to make the following recommendations regarding the CWB director election process.

### **1.0 Voter Eligibility**

Under the current CWB director election regulations, all producers of grain over age 18 (and those under 18 if a cosignatory is designated) are eligible to vote in the CWB election. Under the CWB Act, producers are defined to include any landlord, vendor or mortgagee who is entitled to a share in the grain grown by an actual producer. An actual producer is defined as "those actually engaged in the production of grain."

In principle, the Wheat Growers believe that any producer who has a direct economic interest in how prairie grain is marketed should have a say in CWB elections. Under this principle, farmers and crop-share landlords (or anyone else with a crop-share interest) should be entitled to vote.

We recognize an argument can be made that only actual producers should have a right to vote in CWB elections because generally-speaking, their livelihood depends on the production and sale (or on-farm use) of grain. We respect the merit of this argument, however, we believe the best way to address the “degree of interest” issue is not to disqualify anyone with a meaningful and direct economic interest from voting, but rather to ensure those who have a greater economic interest have a greater say in how their grain is marketed.

Thus, a landlord who has a crop-share interest in a half section of land should not be excluded from having a vote in CWB elections, but rather the weight of that vote should be much less than the vote of the commercial farmer whose livelihood depends on grain production. The vote of a landlord or a hobby farmer should not be nullifying the vote of a commercial farmer.

## **2.0 Weighted ballot**

In our view, the best way to respect the vested economic interests of all parties is to have a weighted ballot, so that those who have a greater economic interest are entitled to a greater say in the CWB director elections.

In recent years, the Canadian government (and the CWB itself) has attempted to position the CWB as more of a farmer-owned grain company as opposed to a government agency<sup>1</sup>. Indeed, the Act was amended in 1998 to change the CWB to a “corporation” as opposed to an “Agent of Her Majesty.” In keeping with this shift toward a more commercial enterprise, we believe the CWB should move to a more businesslike model where its farmer “shareholders” vote according to their economic interest.

We recognize there are some who will advocate a traditional co-operative model, in which there is “one person, one vote”. That approach would be acceptable if the CWB was organized on the basis of co-operative principles, chief of which is that participation is voluntary. If participation were voluntary, then the CWB should indeed be free to structure itself along the lines of a co-operative or share-based company, depending on the wishes of its owners.

Others have questioned how our Association can advocate a weighted ballot when our own membership system is based on a “one person, one vote” model. Frankly, the answer is quite simple – our Association is a policy advocacy group, it is a “political organization”, it is not a commercial enterprise. Moreover, membership in our Association is voluntary, and the members have freely chosen a one-person, one-vote model. Members who are dissatisfied with this approach are free to advocate change within the Association, or to start another Association that better reflects their views.

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<sup>1</sup> According to the CWB’s website, its mission is as follows: “The CWB markets and provides quality products and services in order to maximize value to our owners, western Canadian grain farmers.”

We realize of course there are those who want and view the CWB to be a “political organization” too. They view it as a vehicle to achieve social or political objectives. Again, that might be acceptable if participation were voluntary because then those farmers who do not subscribe to those political views would be free to market their grain elsewhere. However, because of the compulsory nature of the CWB, it should not engage in any political activities whatsoever, and should instead act solely as a commercial enterprise committed to achieving the best possible returns for farmers. If we accept this objective as the CWB’s mandate, then it is imperative that votes be weighted so as to reflect each “shareholder’s” economic interest, rather than his or her “political” interest.

We further note that the current method of voting violates the “one person, one vote” principle because there are several instances where a single farming operation has (for legitimate reasons or not) more than one permit-book. Conversely, there are examples where several persons rely on a single farming operation (e.g. Hutterite Colonies) and yet have only one permit-book and therefore only one vote. Thus, it can be said that the present system is already a weighted ballot, with the “weight” depending on how many permit books a farm operation has applied for and received. In our view, this can lead to all sorts of abuse and skewed voting entitlements. We believe a weighting system based on economic interest would resolve these irregularities and provide a more just and defensible method of electing CWB directors.

### **3.0 Weighting base**

The Wheat Growers have given considerable thought to the determination of an appropriate base for weighting votes. Several approaches could be used, including models based on deliveries, marketings, production, or acreage. We provide comment on each of these approaches:

*(a) CWB Deliveries* – a weighted ballot based on deliveries to the CWB would be the easiest to administer, as the information on CWB deliveries by each producer can be readily compiled by the CWB and verified by each farmer. This is the basis on which the ballots are weighted in Australia for the election of farmer directors to AWB Limited.

Weighting ballots on the basis of CWB deliveries could be done either on the basis of tonnage delivered, or the value of deliveries. The tonnage approach would tend to give more weight to barley deliveries, whereas the value approach would tend to give more weight to wheat deliveries.

In our view, a significant drawback in basing weightings on CWB deliveries is that it does not reflect grain marketings outside of the CWB. In western Canada, the marketings of wheat and barley outside the CWB are significant. For example in the case of barley, approximately 85% of production is marketed to the off-Board feed market and, in the case of wheat, approximately 15% is marketed off-Board. It is well-known that the performance of the CWB, in terms of its volume and pricing of sales, can have a significant impact on prices in the off-Board market. Thus, those who market their grain in the off-Board market most certainly have a vested interest in the performance and governance of the CWB.

Weighting ballots on the basis of CWB deliveries also ignores the productive capacity of each farmer's land. Farmers' decisions on what crops to grow, the marketing channel (i.e. Board versus off-Board), and indeed whether to grow grain at all (for example, a farmer may grow forages for livestock) is influenced by the CWB and its marketing performance. Thus to weight ballots on the basis of CWB deliveries alone would not give proper weight to each farmer's economic interest in the performance of the CWB.

**(b) Marketings** – an improved basis on which to gauge a farmer's economic interest would be to weight ballots on the basis of grain marketings. Under this method, all grain that is marketed by the farmer through commercial channels would be included in the weighting base. The CWB delivery database could be used as an initial starting point, however each farmer would then have the opportunity to provide further documentation to the election co-ordinator to document their grain marketings. For example, those farmers who wanted to enhance their voting entitlement (beyond that generated by the CWB delivery database) could submit their CAIS forms, tax returns or other documentation to substantiate their grain marketing claim. Again, the marketings calculation could be based on either tonnage or value.

A marketings-based approach would be somewhat more costly to administer than a CWB delivery based model, however it would provide a much better reflection of each farmer's economic interest. The onus however would be on each individual farm operation to ensure it receives all the votes it is entitled to.

A drawback to the marketings approach is that it only reflects grain sold through commercial channels and so therefore excludes grain fed to livestock.

**(c) Production** – a production-based approach would be similar to the marketings-based approach, except that it would also take into account grain produced on the farm and fed to livestock. Again, the CWB delivery database could be used as an initial starting point, and then each farmer would have the opportunity to provide further documentation to the election co-ordinator to verify their total grain production. Again, the weighting could be based on either tonnage or value of production. Farmers wanting to enhance their voting entitlement (beyond the entitlement generated by the CWB delivery database) could submit CAIS records, crop insurance records, tax returns or other documentation to substantiate their production claim.

This approach would be similar in cost and complexity to a marketings-based approach, but would be an even better reflection of each farmer's economic interest in the CWB.

**(d) Acreage** – in our view, an acreage-based approach provides, in theory at least, the best basis for determining each farmer's economic interest. This approach takes into account the degree to which the present marketing system may influence cropping (e.g. wheat versus oats versus forages) and enterprise decisions (e.g. grain versus livestock).

If this method is adopted, then acreage should be "productivity-adjusted" as was the case for the CROW payout. Thus each quarter section or parcel of land would have a productivity factor assigned to it, as is the case now with crop insurance. Only land that

is cultivated or improved would be included (i.e. the measure would include forage acres but would exclude natural pasture). The current operator of the land (and crop-share landlords) would then have his or her vote weighted according to how much land he or she has an economic interest in at a specified date (e.g. July 1). The land database could be compiled from information now provided in CWB permit books and crop insurance records, augmented by statutory declarations for those farmers who do not have permit books or who are not enrolled in crop insurance.

While an acreage-based weighting approach is conceptually appealing, we believe the cost and complexity in administering this method would be too high, relative to other weighting bases.

### ***Weighting base recommendation***

The Wheat Growers recommend a production-based approach for determining the weighting base. In our view, a production-based approach provides a good measure of economic interest, and yet it would not be too difficult or costly to administer. The weight could be based on either “tonnes produced” or “value of production”, although we believe “tonnes produced” is a slightly better measure as it is an easier figure for most farmers to substantiate (through either crop insurance or CAIS records). However if “tonnes produced” is selected as the weighting base, then an “equalization factor” should be introduced so that high volume crops (e.g. oats, barley) do not receive a disproportionately greater weight than low volume crops (e.g. flax, canary seed). This equalization could be achieved by indexing each crop’s average yield per acre to a base crop (e.g. spring wheat).

As noted above, this method of determining voter entitlement would rely on the CWB delivery database as the initial starting point, but would give farmers an opportunity to increase their voting entitlement based on their level of production. Thus, those farmers who believe the CWB has a significant impact on their entire farming operation would be assured of an opportunity to vote their full economic interest.

## **4.0 Weighting factor**

Once a weighting base is selected, the task then is to determine a suitable weighting factor. Should a “one-tonne, one-vote” approach be adopted, or should there be a tiered approach as is the case in Australia. In Australia every grower is entitled to at least one vote, and another vote if their average wheat deliveries (over the past 3 years) to the AWB exceed 33 1/3 tonnes, plus an additional vote for each 500 tonnes (or part thereof) delivered above 500 tonnes. Thus a farmer who has average deliveries of 750 tonnes to the AWB would receive 3 votes.

The Wheat Growers recommend that each farmer be entitled to one vote for every 500 tonnes of grain production, or portion thereof. Alternatively, if value-of-production is used as a weighting base, then the Wheat Growers recommend a vote for every \$100,000 in production value, or portion thereof.

While we wish to respect the principle of economic interest, we also think some measure is necessary to guard against possible voter list abuse. We want to avoid situations where farmers could obtain multiple permit books for themselves or landlords simply to obtain a greater voting entitlement. The Wheat Growers recommend a minimum threshold of 100 tonnes of production, or \$20,000 in value, be introduced to limit that sort of abuse.

If production (or marketings or deliveries) is used as the weighting base, then the Wheat Growers recommend a three-year average be used as the averaging period. A three-year averaging period would help smooth out weather-related production fluctuations. For beginning farmers we suggest their voting entitlement be based on one or two years of production, as the case may be. An acreage-based approach avoids the averaging (or new farmer) issue, as the weighting would be based on each farmer's current land operations at a specified date.

## **5.0 Election boundaries**

The Wheat Growers note that in the last election, there was a wide disparity in the number of eligible voters per district, ranging from 8,686 in district 10 (i.e. southern Manitoba) to 14,039 in district 6 (i.e. central Sask.). In our view, this disparity is far too large and in effect, gives a central Saskatchewan farmer a much smaller voice in the director elections. In our view, the districts should be re-balanced so that the aggregate economic interest of voters in any one district is more or less equivalent to the aggregate economic interest of voters in each and every other district. In other words, each district should have the essentially the same number of votes (not voters), based on whatever weighting base and factor is used to determine vote entitlement. On the whole, there should be no more than 5% variation in the number of votes among districts.

The Wheat Growers also note that the boundaries of five of the ten districts cross over provincial borders. While we recognize that some cross-border districts are unavoidable (e.g. Peace River district), we believe the districts should be reconfigured to minimize such occurrences. We make this recommendation because farmers within any given district are more likely to be aware of the qualifications and capabilities of a candidate who resides within their province. By having candidates solely from within their own province, farmers are apt to make a more informed choice. Moreover, if districts are wholly within a province, then the elected director is apt to be more aware of the various policy and business issues that affect the farmers within his or her district.

## **6.0 Candidate eligibility**

Under the existing CWB election regulations, any person who is age 18 or over and who is an "actual producer" or "a shareholder in a corporation, a member of a co-operative or a partner in partnership that is named as an actual producer" is eligible to be a candidate in the district in which they produce grain, or in an adjacent district. Directors (and employees) of grain companies, government employees and consultants are eligible to be candidates if they also meet this criteria and undertake in writing to terminate their position before assuming office as a director of the CWB. The Wheat Growers are satisfied with this criteria and recommend no change.

The regulations also require that each candidate must submit a \$500 deposit in order to run, which is returned providing they submit a list of donors (over \$100) and an accounting of election expenses to the co-ordinator following the election campaign. Again, we have no difficulty with this requirement.

## **7.0 Preferential Ballot**

The Wheat Growers believe the confusion created by a preferential ballot system may be a contributing factor to the low and declining turnout in CWB elections. A move toward a more familiar first-past-the-post approach may help restore farmer interest in the elections. It may also help bring forward more well-qualified candidates, as there will be less pressure on nominees to join a slate of like-minded candidates within their district.

The Wheat Growers recommend discarding the preferential ballot system in favour of a first-past-the-post system.

## **8.0 Candidate and third party spending**

The CWB election regulations state “no candidate or any person on behalf of a candidate shall expend more than \$15,000 in election expenses”. While we have some misgivings about spending limits on any election in an otherwise free country, we consider this limitation to be a reasonable restriction and do not recommend any change.

Under the election rules, third-party advertising is limited to \$10,000 across all districts. Again, we support this restriction providing the CWB is subject to a code of conduct that prohibits self-promotional activities during (and prior to) an election period. In the past the CWB has issued press releases (paid for by farmers) during election periods that has raised the profile of certain CWB director candidates or has promoted the single-desk platform. In our view, such electioneering by the CWB should not be permitted.

To its credit, the CWB has developed an “Election Period Code of Conduct”, although it appears to be more geared toward the conduct of Candidate Directors (i.e. a CWB director who has filed nomination papers with the Election Co-ordinator) than to the conduct of the CWB. A separate Election Period Code of Conduct should be developed for the CWB, or at the very least, the existing Code should be amended to provide stronger and clearer standards of conduct for the CWB during an election period.

## **9.0 Election Co-ordinator**

While we do not wish to tarnish the reputation of the current election co-ordinator in any way, recent elections have been marred by voter list irregularities (including missed names, and the inclusion of farmers who are deceased or who have left farming) and concerns over the conduct of the CWB during the election period. In our view, the impartiality and integrity of the election process requires the election, including the enumeration process, be conducted by a Party that is not hired by the CWB.

If the CWB were a voluntary organization, then of course it should conduct its director elections in a manner befitting any co-operative or shareholder organization, and would be free to choose any outside party to assist in the integrity of those elections. However, the CWB is a construct of Parliament and so the responsibility for maintaining the integrity of the election process properly rests with the federal government.

As such, the Wheat Growers recommend the election process be administered by Elections Canada, or an independent Election Commission. In our view, eliminating voter list irregularities and ensuring the integrity of the election requires that the election process be administered by a Party that is not hired by the CWB. Elections Canada, or an Election Commission should be responsible for the hiring and oversight of the election co-ordinator, auditing the integrity of the voter's list and voter entitlement, monitoring the conduct of all parties during the election, and arbitrating any disputes or complaints. We believe such an approach will go some distance to restoring farmers' confidence in the election process.

Further, we believe the cost of administering the election process, including the cost of the oversight body (whether it is Elections Canada or an Election Commission), should be borne by the federal government. The CWB is, after all, a public institution constituted by Parliament. Therefore, as is the case for all other public institutions that we are aware of, the cost of installing its directors (whether by election or appointment) should be borne by the public rather than imposed on a single segment (i.e. prairie farmers) of that public. The Wheat Growers accept, however that all costs associated with the directors, once installed, should be for the account of the CWB.

Of course, if and when the CWB ceases to be a public institution, then the cost of electing directors to the CWB should be borne by the owners and/or patrons of the CWB.

The Wheat Growers have considered whether the costs of Election Canada or an Election Commission would be viewed as an actionable trade subsidy. We acknowledge this possibility, although we believe the costs would be viewed in the same light as those of the Wheat Export Authority, the body that provides an oversight role to AWB Limited in Australia. In any event, the cost of administering the CWB election is insignificant relative to other subsidies, in Canada and elsewhere.

## **10. Election timing**

The Review Panel has asked whether the timing of the election process is appropriate. In our view, a January to March time period would be preferable. Currently, the call for nominations and voter confirmation notices are issued in early September, with ballots mailed in early November. Given that field operations often continue into November, the timing is not ideal. The Wheat Growers therefore recommend a change in the timing of the election, providing the process is completed by March 15 of each election year.

## **Summary**

The Western Canadian Wheat Growers Association has made several recommendations in this submission that we believe will improve the integrity of the CWB election process and help restore farmer's faith in the director elections. Further, we believe our recommendations, if adopted, will lead to the election of quality directors, will strengthen the Canadian Wheat Board as a commercial enterprise, and will help to position it for the challenges that lie ahead.

We thank the Review Panel for allowing us to appear before you and for taking the time to consider our views. We wish you well in your deliberations.

Sincerely,

Western Canadian Wheat Growers Association