

**Western Canadian Wheat Growers Association**  
**Presentation to the House of Commons**  
**Standing Committee on Agriculture and Agri-Food**  
**Ottawa, ON**

**March 31, 2009**

[Mike Bast, Chair] Thank you Mr. Chairman and members of the Committee. The Wheat Growers welcome this opportunity to provide our thoughts on policies and measures needed to improve the competitiveness of Canadian farmers.

We will focus our comments on three main areas: innovation, trade and free markets.

We first wish to emphasize the importance of innovation. Our willingness to embrace new ideas and new technology allows Canadian farmers to be among the most productive in the world. It is a key driver of growth and profitability in our industry.

On the seed side, the introduction of biotechnology in canola has led to dramatic yield improvements and reduced pesticide use. It's one of the reasons we've seen such tremendous growth in canola acreage and production in western Canada in the past 15 years.

The advent of specialty canola varieties has also contributed to human health by reducing the transfat component of cooking oil. The premium prices available on these varieties have given us an opportunity to improve our profit margins.

These are just two examples of how innovation, and our willingness to be early adopters of new technology has kept Canadian farmers ahead of producers in competing nations. However we cannot be complacent. The emergence of low cost producers in countries such as Ukraine, Russia, Kazakhstan, Argentina and Australia means we must always be open to ways to boost yields, improve quality or lower costs.

These new competitors on the world stage have captured an increasing share of the world's wheat trade. Our share of the global wheat market has dropped from 23 per cent fifteen years ago to under 15 per cent today. In the past 20 years, our declining competitiveness in wheat has caused prairie wheat acreage to decline by 12 million acres.

Last year's elimination of the kernel visual distinguishability (KVD) criterion in our wheat variety registration system was one important step in regaining our competitiveness in wheat. Plant breeders in western Canada have indicated to us that the removal of this constraint has already sped up the development of cultivars with higher yield potential and better agronomic traits. The Wheat Growers want to thank this Committee for its work in helping to remove this innovation constraint.

A greater research effort is needed. We see far greater potential for improvements in wheat and other cereals, whether through conventional breeding techniques or modern biotechnology. In

Canada, biotechnology has led to dramatic yield gains for soybeans, corn and canola. We believe this technology can offer the same sort of yield and quality improvements in wheat.

We are in need of varieties to help control insect problems such as midge and sawfly. We also face a number of plant diseases such as fusarium head blight, rust and leaf diseases. While some progress in meeting these challenges is being made through conventional breeding methods, we believe that modern biotechnology holds the key to overcoming them.

Research is also underway that would allow plants to improve their uptake of nitrogen and other nutrients. This technology, if adopted, would allow us to reduce our fertilizer use without compromising yields. Another promising opportunity is the development of drought-tolerant wheat. Researchers in Australia are leading the charge here, however we believe these varieties could be very beneficial in the dry regions of the prairies.

The Wheat Growers also look forward to the development of traits that could improve the nutritional quality of wheat or meet the needs of consumers with allergies or other health issues.

Increased funding for public research is part of the solution. We also need a regulatory environment that encourages private investment. Our regulatory approval system must remain science-based, and not act as an impediment to the commercial introduction of new varieties. Toward this goal, our regulators should be working closely with regulators in other countries, to ensure that Canadian approvals for new seed and chemical technologies are obtained at the same time as regulatory approvals in competing countries. We cannot be left in a position where producers in other countries have access to new technology that is not available to us.

We urge your Committee to ensure research remains a high priority in agriculture, especially in cereals and crops such as oats, peas, lentils, flax, mustard, chickpeas and canaryseed where acreage levels are generally not sufficient to attract significant private sector investment.

Ensuring our regulatory system embraces a culture of innovation will go a long way to ensuring Canadian farmers maintain our competitive advantage.

### **Market access** [Stephen Vandervalk, Alberta VP]

Another important measure to improve our competitive position is to promote open and free trade, in both crop inputs and outputs.

On the input side, we remain very concerned about our inability to access crop protection products registered in other countries that are chemically equivalent to products registered in Canada. The Grower Registered Own Use (GROU) program was intended to improve access to imported chemicals, however the approval process at the Pest Management Review Agency (PMRA) has been slow, with many equivalent products not yet being authorized for import.

The Wheat Growers respect intellectual property rights, so we are not suggesting that we have access to products that are not equivalent to products registered here. What we are suggesting is

that minor formulation and label differences often hold up approvals. We need a regulatory system that facilitates the free trade in chemicals, not one that imposes artificial barriers.

We ask your Committee to ensure that cross-border approval processes are harmonized to the greatest extent possible, so that farmers on both sides of the border have access to crop protection products on an equal footing.

With respect to international trade, the Wheat Growers remain deeply disappointed at the ongoing failure of world trade talks to reach an agreement that would improve market access for farmers who are dependent on export markets for a significant portion of their income. The lack of market access, particularly for processed grain products, lowers our farmgate returns. With talks expected to resume later this year, we ask the Canadian government to promote freer trade, as a means to increase prosperity not only here at home, but throughout the world. The recent introduction of COOL regulations in the U.S. reinforces the need for Canada to take a strong stance against protectionism in all its various forms.

We support the federal government's efforts and success in striking bilateral trade deals. In particular, we seek the Committee's support of the proposed Canada-EU agreement. Currently, we face significant tariff and non-tariff barriers for our grain and processed grain products into Europe. This is especially the case for wheat. To improve our competitive position, we ask you to ensure our negotiators obtain better access into this important market.

### **Free and open markets [Mike]**

The Committee is examining what measures are restricting competition in Canadian agriculture and limiting our competitiveness. The most obvious and harmful barrier to competition is the imposition of the CWB monopoly by the Parliament of Canada on western Canadian farmers.

As mentioned, wheat acreage in western Canada has declined by 12 million acres, or more than 30% over the past 20 years. In contrast, wheat acreage in Ontario has increased by more than 60% since the Ontario Wheat Board monopoly ended six years ago. The contrast is quite stark. Maintain a closed market, acreage goes down. Introduce a free market, acreage goes up.

The captivity of western Canadian farmers to the CWB monopoly means we have no escape valve. For other crops, the ability to ship grain directly to processors and to export markets keeps Canadian grain handling costs in check. That's not the case for wheat and barley.

The captivity of western Canadian farmers also leads to reduced railway competition and frequent rail service concerns. Again, the problem is that the railways know that prairie farmers have no choice – sooner or later they must deliver their wheat to the Canadian grain handling and transportation system. Consequently, the railways have less incentive to provide timely service or compete vigorously for our business. This captivity also means that farmers are vulnerable to railway strikes and labour disruptions at the west coast ports or along the Seaway. Again, not having market alternatives leaves us bearing the full brunt of these service disruptions.

The CWB monopoly is a significant impediment to value-added processing on the prairies. Less than 5 per cent of wheat produced on the prairies is processed for food markets. In contrast, approximately 40 per cent of our canola is processed, and with recent new builds and expansions, this proportion is expected to reach 50 per cent.

Oats is another shining example of how farmers can flourish and compete more effectively under an open market. Since the removal of oats from the CWB monopoly in 1989, oats acreage has increased by approximately 25% on the prairies. We've also seen a dramatic rise in oat processing on the prairies. Can-oat milling, with plants in Saskatoon, Portage la Prairie and Barrhead is now the world's largest industrial supplier of oat products.

Canada is a net importer of pasta products, even though we are by far the world's largest producer of durum wheat. Quite simply, companies are reluctant to invest in those areas where they are captive to one supplier. As long as the CWB monopoly remains in place, there will be little investment in new milling or malting capacity. In 2005, one of the malting companies built a new \$75 million malting plant in Montana, bypassing the better malt barley regions in Canada. That's \$75 million that should have been invested in western Canada. It's a malting plant that prairie farmers are unable to access directly.

We believe reducing regulatory barriers, including the wheat board monopoly would also lead to much greater private sector investment in wheat research. As it stands now, private seed developers are reluctant to invest in wheat research in Canada, given the high degree of uncertainty over whether a new variety will be accepted by the CWB.

A 2007 survey undertaken by the Canadian Seed Trade Association found that 74% of all private seed research and development was devoted to canola, followed by corn and soybeans. Less than 5% was devoted to wheat research, even though it represents the largest crop in Canada in terms of acreage. Making the CWB voluntary would go a long way to attracting greater private research in wheat breeding and development.

## **Summary [Stephen]**

In summary, western Canadian farmers are among the most competitive in the world. It is our willingness to embrace innovation that keeps us profitable and ahead of emerging competitors.

For the most part, we face good competition in our input markets. A key concern however is our inability to gain access to imports of many crop protection products that are equivalent to products that are registered in Canada.

We also urge Canada to continue to seek greater market access for our products, whether that is through multilateral or bilateral trade negotiations.

Going forward, the key to improving our competitiveness will depend on the implementation of a voluntary CWB. Creating a free market in wheat and barley would eliminate our captivity and improve competition in the grain handling and transportation sector. It would lead to greater

processing of our grain here at home. More processing facilities means farmers have more choices and more competition for our grain.

Moving to a free market in wheat and barley would also encourage greater private investment in research and development of new varieties. Newer wheat varieties, with disease or insect-resistant traits or improved nutrition traits would allow us reverse the downward trend in our global market share. Being among the first to adopt new technology gives us the best chance to compete against emerging global competition.

Lastly, freeing up the wheat and barley markets would improve farm margins and unleash the entrepreneurial energies of prairie farmers. We have seen the wheat market in Ontario flourish following the removal of its wheat monopoly. We look forward to the day when we see a similar success story repeated in western Canada.

Thank you for your consideration.