

CANADIAN WHEAT BOARD

Keeping Canadian Agriculture Relevant

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A government-appointed task force recently recommended a four-step plan to turn the Canadian Wheat Board (CWB) into a farmer-owned grain marketing company and to allow Western Canadian growers to sell their wheat and barley to any domestic or foreign buyer. Currently, the CWB, which is the largest wheat and barley marketer in the world, is by law the only organization in the Canadian grain industry allowed to trade in world markets. As one of Canada's biggest exporters, the Winnipeg-based organization sells to over 70 countries and returns all sales revenue, minus marketing costs, to farmers. Many acknowledge that the CWB has played a significant role in the development of agriculture in Canada, and rightly so. However, Canada is missing out on global opportunities and is being subjected to unprecedented pressure to globalize. These conditions have led to uncertainty and a call for change in the ways the agrifood supply chain is managed and marketed.

The operation of the CWB in the agricultural commodity trade in the last decade has been a contentious issue for a number of reasons. First, the CWB, and Canadian agriculture in general, is primarily driven by politics, as is every country's agricultural policy. Domestically, various governments have been active in upholding the virtues and presumed efficiencies of marketing boards. Their argument was, in short, that such mechanisms represent the Canadian way of managing an economy. Current agricultural policies concerning the CWB have had considerable support from both Ottawa and the provincial governments, especially Manitoba and Saskatchewan. Thus, the CWB has become a symbol of the Canadian way of life; but it also has come to symbolize economic inertia and restraints to competition. Following the establishment of the CWB, Canadian governments have at times considered, but ultimately refused, intervention directly in this sector of the economy,

except by passing legislation that reinforces current policies. This hands-off approach is now embedded in the ideology of the Canadian agribusiness sector. Consequently, most Canadian governments, apart from the current federal government, prefer the *status quo*, even as independent analysts advocate reform.

With emerging agricultural economies such as those of India, Russia, Ukraine, Brazil and Argentina, the ranking of world wheat exporters and producers is undergoing a seismic shift. In India, for example, wheat production grew significantly in the last five years, and this quickly globalizing nation is now producing 12% of the world's wheat.

Second, the CWB's *modus operandi* has attracted the attention of many grain trading nations that have accused the CWB of distorting trade flows, though recent rulings by independent bodies have affirmed the CWB's status as a fair trader. Since 1995, numerous rulings from the World Trade Organization (WTO) have substantiated the long-standing claims of the Government of Canada and pro-monopoly lobby groups that the CWB operates within WTO rules. Similarly, trade quarrels with American interest groups since the North American Free Trade Agreement (NAFTA) have been unanimously settled in Canada's favour. In fact, all 14 attempts to stop Canadian wheat from entering the U.S. market were unsuccessful.

These legal triumphs came with hidden costs. While wheat productivity and efficiency are increasing in many

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parts of the world, we have limited our own ability to compete. With emerging agricultural economies such as those of India, Russia, Ukraine, Brazil and Argentina, the ranking of world wheat exporters and producers is undergoing a seismic shift. In India, for example, wheat production grew significantly in the last five years, and this quickly globalizing nation is now producing 12% of the world’s wheat. Just in the last three years, Russia and Ukraine replaced Canada and Australia as top five wheat exporting countries. Climate certainly had a significant impact on these rankings, but Canadian productivity was declining long before recent uncooperative weather patterns.

The CWB currently requires farmers to enter markets where price matters more than quality. With global consumption of wheat projected to decline from last year’s record low as a result of the shrinking market for animal feed, there will be more pressure to provide quality, differentiated products to world markets.

Canada is becoming less relevant to the global agenda. We are more isolated from other countries than ever before, as evidenced by current trade talks at the WTO. Last year in Geneva, CWB President Adrian Measner, while defending single-desk marketing schemes, was quoted as saying that Canada was alone against the other 146 WTO members. Canada had no allies at the negotiating table, and there was no doubt that the WTO would no longer sympathize with the CWB. Sooner or later, the long-awaited reforms to the CWB, long used to justify Canadian policies, will need to be implemented, no matter what Canada says or feels about its existence. The old argument that the U.S. or the EU has agricultural subsidies no longer holds water on the international scene. It is surprising in the 21st century that Canada still has marketing boards such as the CWB while many other advanced economies, including the U.K., South Korea, New Zealand and Australia, have dismantled theirs. By implementing vertical marketing approaches and savvy distribution models, many of these countries now have very efficient and productive agricultural industries. Conversely, the CWB has allowed Canadian farms to remain smaller and less able to vertically integrate and take full advantage of the many modern

management tools and information systems that have transformed whole industries.

Our grain industry in Canada is anything but market-driven, and the CWB’s monopoly has become an impediment to growth and prosperity. Many farmers with limited production capacity do not realize the extent to which global trade has changed the way Canada should position itself within world markets. Farmers need to realize that they are one part of the entire economy. Managing a farm is similar to managing any other business enterprise.

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Agriculture is not faced with unique market conditions that require government intervention. All other enterprises in the economy also have idiosyncratic market conditions that provide unique obstacles to surmount. The private club status currently enjoyed by farmers is undeserved. Canada needs to implement freer market reforms in the agricultural sector, and the recent task force’s recommendations are consistent with that vision. Otherwise, the irrelevance of Canada’s agriculture will become even more apparent within our own borders. ∞



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