

Western Barley Growers Association  
Presentation to the sub-committee  
of the Canadian Wheat Board “working group”  
Wednesday August 24<sup>th</sup>, 2011  
Winnipeg, Manitoba

Thank you for the opportunity to present our thoughts and concerns to the working group. We know you have very important work and considerations in front of you and we wish you well in that work. The Western Barley Growers Association fully supports providing choice to western Canadian producers and understands the government is also committed to providing choice as of August 1<sup>st</sup>, 2012.

Given the short time we have with the working group we will address the questions you posed to our organization. You will find there are three central themes to our comments:

1. Staying the course.
2. Facilitating competition, and
3. Creating the environment for wheat and barley production and innovation.

**With respect to your questions:**

**Q1. What do (our) members see as the major concerns/issues going forward as a result of this change?**

- Our greatest concern is that events could conspire to soften the Federal government’s resolve to remove the single desk monopoly and bring to western Canada marketing freedom and the wealth of economic development opportunities for farmers and their local communities. There is significant excitement about the change coming to wheat and barley marketing. It is our hope that the government recognizes this and does not lose its resolve to create the business environment needed to attract young people to farming. In this respect the most important thing the government can do is ensure the commercial system is ready to take on those responsibilities previously handled by the CWB. The Government must move quickly and decisively so farmers and the commercial players can be ready to openly and freely transact business on wheat and barley as soon as possible leading up to August 1<sup>st</sup>, 2012.
- It is also important to recognize that although the removal of the single desk will provide marketing freedom, to have the freedom to choose who to deal with, there needs to be choices available. Removing the single desk should not reduce competition for farmer’s grain. In fact efforts should be made to enhance and improve competition.
- The companies that currently handle and export wheat and barley as CWB agents and accredited exporters will continue to do so in a choice marketing environment,

assuming the direct marketing role as they currently have with none board crops. Existing grain handlers have the capacity, knowledge and relationships to effectively manage all aspects of marketing grain and moving it from the farm to customers. Over the next few months international customers will need to be assured of these facts and they need to know they will be able to transact business and secure supplies of wheat and barley from western Canada with no disruptions by working closely with the grain trade. They also need to be assured that the quality of grain they buy will not be impacted by the transition to choice. In staying the course to provide choice the government will build trust in the transition process and enable the grain trade to create the environment for transacting business.

- Other areas that that must be addressed in the transition process include:
  - A new administrative mechanism for cash advances to farmers on wheat and barley.
  - Transitioning to a new / alternate mechanism for wheat and barley check-offs to promote variety development, address agronomic issues and promote wheat and barley market development.
  - Creating a funding model for organizations like the Canadian International Grains Institute, Canadian Malt Barley Technical Centre, and the Brewing and Malting Barley Research Institute that reflects the current level of support provided by producers through the CWB and the value received by producers from those traditional contributions.

## **Q2. What is the basis for these concerns/issues?**

- The CWB is heavily involved in many aspects of the grain handling system, such as transportation. This highly regulated aspect of the business will potentially need government support, direction (and possibly regulation) to ensure that all grain companies can continue to operate, transitioning smoothly into a market without the CWB's heavy involvement in operations.
- The other significant gap that will be left by the removal of the single desk is inventory financing. All grain companies have benefited from CWB financing through the government guarantees. Although going forward, the transition may impact smaller firms more than larger ones, all firms will need to make adjustments.. Whereas some smaller firms have been built on the basis of CWB financing, they may find it very difficult to replace commercially. This needs to be reviewed and considered as the goal should be for all firms to compete on as level a playing field as possible through the transition to choice. Otherwise, there is the very real possibility that we could see many of the smaller competitors become unviable, thereby reducing competition.
- In terms of building buyer trust in the transition process, every effort must be made to ensure the commercial system is ready for the 2012/2013 crop and those functions

previously performed by the CWB are not left unclear or ambiguous. Clarity will result in trust in the transition process and a strengthening of business for western Canadian farmers and the grain value chain.

- Cash advances on wheat and barley production are important in helping producers facilitate production and in managing cash flow during critical periods of the production and marketing cycle like harvest. While decisions on funding organizations can be deferred this important aspect of the transition process cannot. Farmers must know how to access cash advances on 2012 production at levels and rates consistent with today's advances well prior to the end of the current crop year.

### **Q3. What do you see as possible solutions to these concerns?**

In terms of staying the course:

- Nothing is more important than clarity for the wheat and barley value chain. The government has stated its position and direction. It now must follow through and be decisive in its decisions. The transition will not be without its issues, which farmers recognize but staying the course will build trust in and acceptance of the transition process.
- The responsibility of informing the export buyers of Western Canadian wheat and barley of the new reality will fall mainly on the shoulders of exporters making the sales. The government could add its voice to the message through public commentaries through Canadian embassies and other official channels, starting very early in the process.

In terms of facilitating competition:

- The grain handling and transportation system has always operated in a “dual” system with CWB and non-CWB activities working through the system at the same time. In a choice marketing environment the industry will move to a true commercial system. Competition should be the hallmark of the new environment. In this regard the WBGA believes that:
  - Grain transportation should be negotiated as part of the normal business operation of handlers and others who source and transport grain. Any organization that replaces the CWB should not have an oversight or regulatory role in wheat and barley transportation.
  - Appropriate measures could be taken by the government to continue to make low-cost financing available through making the government guarantees available to all companies involved in trading wheat and barley (including the

organization that replaces the CWB). It should be a transitional model, logically phased out over a short number of years.

- Operationally, some small grain companies have done little more than handle grain on behalf of the CWB and have no marketing depth. If there is an organization developed to replace the CWB it could be in a very good position to work with the smaller grain companies, acting as their marketing department. However, this should not be regulated in any fashion, as there will likely be other organizations willing to perform the same functions.

In terms of creating the environment for wheat and barley production and innovation:

- *A new mechanism for administering and delivering cash advances on wheat and barley.*
  - The WBGA believes cash advance administration could easily be performed by another organization, such as the Canadian Canola Growers Association, which administers advances on canola, pulses and other crops.
- *Moving to provincial models for wheat and barley check-offs.*
  - Currently the legal frame work for crop check-off “commissions” are a provincial jurisdiction. In the case of the WGRF, a wheat check-off is administered across the prairies and a barley check-off in MB, SK. and BC. (The WGRF check-off operates under the legal authority of the CWB Act.) The Alberta Barley commission administers the barley check-off in Alberta. Going forward, the WBGA believes the best approach for crop check-offs is that they be handled at the provincial level under the current commission structure.

Currently Alberta producers are in the process of establishing an all-wheat commission in the province. There are also winter cereal commissions in other provinces that cover winter wheat cultivars. Provincial commission models have shown to be flexible and locally responsive while also taking a national approach. For example the pulse industry, flax industry and canola industries all have provincial commissions with a national organization. This ensures grass roots input coupled with a strategic approach to addressing critical agronomic, cultivar development and market development issues to move the respective industries forward. The WGRF endowment fund could form the basis of a new wheat and/or barley council and current policy with respect to transferring transportation overages to the WGRF endowment fund could also then flow to a strategic fund managed by the council.

- The WBGA strongly recommends that the government move to unwind the operations of the WGRF as it is too narrow in its legal mandate and allow

provincial commissions structures to evolve based on demonstrated support for the commissions from provincial farmers.

- Producer funding for organizations as Canadian International Grains Institute (CIGI), Canadian Malt Barley Technical Centre (CMBTC) and Brewing and Malt Barley Research Institute (BMBRI).
  - The knowledge of the WBGA is supportive of the technical support roles in market development provided by these organizations but the WBGA believes farmers should not be put in a position where there is an entitlement associated with financing the ongoing operations of these organizations. Producers need the opportunity to choose how their money is being spent and any commitments of farmer's money should not be made without broad producer consultations.

#### **Q4. What other impacts on farmers do you see?**

- Marketing choice for farmers will be positive for farmers and result in reduced costs, increased efficiency, increased wealth creation, and increased investment in wheat and barley across the value chain.

#### **Q5. What information do farmers need to prepare for the marketing choice world?**

- Farmers want price transparency and clarity on delivery and contracting options for their wheat and barley. Organizations like ICE Futures Canada and the traditional commercial grain trade can handle all of the commercial needs for farmers but they must have the freedom to operate on a commercial basis and have a level playing field if they are to invest. The Federal government must ensure the transition to an open market is seamless. The most important thing the government can do is stay the course and work closely with members of the wheat and barley chain, and particularly members of the grain trade, as transitional decisions are made by the government. Being decisive and communicating early will reduce concerns with farmers about how they will market their crops at the start of the 2012/2013 crop year.

#### **In summary**

The WBGA has three important messages for the working group:

1. Stay the course. Specifically the Government must move fast and decisively so farmers and the commercial players can be ready to transact business on wheat and barley as they do with other crops as soon as possible leading up to August 1<sup>st</sup>, 2012. By staying the course in providing choice, the government will build trust in the transition process and enable the grain trade to create the environment for transacting business.

2. Facilitate competition, specifically in terms of transportation and financing. We run the risk of allowing the playing field to be tilted in favour of the largest firms simply due to their size and dominance. The CWB has been an effective countervailing force enabling smaller firms to compete. All efforts must be made to ensure – at least in the transition period - that all small companies have time to adjust and find their feet in a new commercial environment. In rail transportation, this will mean ensuring that the smaller firms have appropriate access to movement with appropriate dispute resolutions. Regarding financing, removal of the single desk also means removal of financing; appropriate measures need to be in place to minimize the impact.
  
3. Creating the environment for production and innovation. Specifically the Federal government needs to arrange a new mechanism for administering cash advances on wheat and barley. Farmers depend on this financing and securing alternative financing would be difficult and impact farmers significantly. The WBGA also believes the wheat and barley check-offs should move to provincial models and efforts should be put forth to evaluate the merits of a national wheat and / or barley council. This type of structure works well for other international jurisdictions and has demonstrated real value to other crops in western Canada. In terms of funding other organizations like CIGI, BMBRI and CMBTI any decisions must not commit farmers to ongoing financing without full consultations. The WBGA feels producer’s financing of these organizations would likely best be made by provincial commissions who would best be able to assess the value they bring to market development initiatives.

**Thanks for the invitation to present to the sub committee**