

GOING BY THE BOARD

After seven decades of service, will the Canadian Wheat Board succumb to ideological attacks?

BY HANNEKE BROOYMANS



Kristen Wagner

BENEATH SKINS OF CRUSTY SNOW, ALBERTA FARM FIELDS LIE STILL and peaceful despite the bite of prowling winter winds. This bucolic landscape doesn't look like fertile terrain for rebels. Yet the Alberta government is attempting to coax up a crop of revolutionaries. It's inciting the province's farmers to revolt. The term "freedom fighters" has even been used.

The source of discontent for Alberta's Conservatives, as usual, is the federal government. Ottawa, the argument goes, is once again telling "us" prairie people to follow "their" rules. But the enemy this time is somewhat unusual. It's the Canadian Wheat Board, a body that for seven decades has been charged with safeguarding the interests of Western grain growers.

Last year, the provincial government started developing legislation that will give farmers permission to sell their grains directly to buyers during a 10-year experimental deregulated period. For now, they're compelled by law to sell to the wheat board. Any significant change to this system, critics warn, will undercut the wheat board's ability to market Canadian wheat and barley, a cooperative approach that's supposed to secure the highest possible international prices.

But the Klein government has already made up its mind. In the last two years it has spent \$650,000 on a campaign urging the men and women who run the province's roughly 13,000 grain farms to fight for "free choice." Full-page newspaper and magazine ads listed the decisions farmers make: seed varieties; herbicides; pesticides; machinery; buildings; hired help; lease or buy. They also listed what farmers don't control: the weather; marketing wheat and barley. "It's your choice," the ads proclaimed. "Voice your opinion."

In July 2004, World Trade Organization members voiced their opinion. At a meeting in Geneva, trade representatives voted 146 to one to declare that the Canadian Wheat Board constitutes an unfair subsidy for Canadian farmers. The one dissenting voice, of course, was Canada.

The venerable wheat board turns 70 this year, but instead of commemorating the anniversary, it's being forced to fend off escalating attacks against its existence. The attacks are rooted in neo-liberal, free-trade ideology. They're being driven by the Alberta government, the WTO, and, behind the front lines, multinational grain companies. And after a decade of falling international grain prices, some of the province's farmers, at least those who buy into the "free choice" rhetoric, see themselves as freedom fighters—even if they might be biting the hand that's feeding them.

BEFORE WORLD WAR I, PRAIRIE FARMERS STRUGGLED TO SELL THEIR grain. Transportation was expensive, rail line elevator companies were difficult to deal with, and it wasn't easy to extract fair prices from the Winnipeg Grain Exchange. Farmers found that if they cooperated, a few more coins dropped into their pockets. The federal government took steps to formalize this collaboration. The Canadian Wheat Board's predecessor, the Board of Grain Supervisors, helped farmers get through the war and the beginning of the Great Depression.

Midway through the Depression, the federal government realized that the wheat board was not a temporary solution. Ottawa signed the Canadian Wheat Board Act into law on July 5, 1935. In 1943, during World War II, wheat futures trading was suspended; delivering wheat to the board became compulsory. Barley was added in 1949.

The logic was that a large, "single-desk" player that sold all the grain could more successfully compete on the international market, fetching higher prices for Canadian product than individual farmers could on their own. In the Diefenbaker era, the board cracked the valuable Chinese market for Canadian grains before the Americans could. The board also had a few creative ideas, such as offering special courses to teach European millers how to use Canadian wheat.

Today, when the board buys grain, it gives farmers an initial payment based on a projected price; usually it's about 75 per cent of the projected market value. A final price is set once the grain is sold to foreign buyers. This "pooled payment" is an average of the prices the board obtains throughout the year on the volatile world market. Approximately 85,000 prairie farmers sell more than 20 million tonnes of wheat and barley through the board every year; its annual sales revenue ranges from \$4-billion to \$6-billion. The federal government believes so strongly in the board that it makes up for shortfalls should the board pay farmers more for their grain than what the product ultimately sells for. This doesn't happen very often, but the arrangement did cost taxpayers \$85-million in 2002–03.

Despite the board's promise of a helping hand, however, the perceived "lack of choice" it mandates has been chafing some farmers for decades. In the late 1960s, for instance, an international grain glut and the ensuing low prices riled up farmers who felt the board was simply not doing enough for them. Indeed, in every generation of farmers there have always been a few who've been irritated by the board.

Colleen Bianchi and her husband Boyd first joined that camp

in the early 1990s, when they realized that only Western farmers were bound to the wheat board. Farmers in Manitoba, Saskatchewan, Alberta and the Peace Country region of British Columbia must sell their barley and wheat to the board if the grain is intended for export or domestic human consumption; farmers in Ontario, Quebec and Atlantic Canada, because their production is minuscule compared to the prairies, are exempt.

"We're in a democratic country, supposedly, but we're treated differently in a designated area," says Bianchi, a 49-year-old, third-generation farmer in southern Alberta. The Bianchis grow mixed grains and canola on their arid acres and have a cow/calf operation. Their gently rolling land—a beautiful place, says Bianchi, "when it rains and we don't have drought and grasshoppers"—is just a kilometre from the Montana border. But it might as well be an ocean away for all the market access they have.

Like many anti-board farmers, the Bianchis' main complaint is ideological. Albertans just don't like being told what to do. Nor do we appreciate being shackled by "restrictive, discriminatory" laws when it comes to our economic prosperity. And we especially despise listening to politicians and bureaucrats in Ottawa who think, patronizingly, it seems, that they know what's best for us.

With those thoughts in mind, the Bianchis assisted a group of farmers who crossed the border into Montana in 1996. Some sold bushels of grain to a U.S. elevator company. Others donated sacks of grain to the local 4-H club. Many were charged with breaking the Canada Customs Act. Their goal was to get arrested for breaking Canadian Wheat Board rules and to take the issue to court. The 14 farmers charged ended up with fines ranging from \$1,000 to \$7,500. They could reduce their fines by spending time in jail. Many chose incarceration.

Last summer, Alberta farmers again defied wheat board rules. The Bianchis and another 20 or so farmers sent 33 bushels of grain to Ontario, where it was milled and baked into 1,800 loaves of "freedom bread," an all-natural, stone-ground whole-wheat sourdough. This type of direct relationship with a niche market is what farmers claim they want, because it offers a higher cut of profits from the final product. "My husband is strictly a white bread guy," says Colleen Bianchi, "but he liked this bread. 'Freedom tastes good,' he said."

The Bianchis are waiting for charges to be laid. "We actually would like to go to court," Colleen says, adding that she believes they are doing the right thing for all Western farmers. "We do feel like we're kind of freedom fighters—for ourselves."



Tim Van Horn

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FOR ALL THE AGITATING ALBERTA FARMERS ARE DOING, IT WILL most likely be international pressure that forces the wheat board to change. Although Canada doesn't consider the board an export subsidy for farmers, WTO members voted overwhelmingly in favour of a framework agreement to eliminate agricultural subsidies—including the board. "We were under attack," Canada's International Trade Minister, Jim Peterson, said during the meeting in Geneva last July. "It was one against 146. We had absolutely no allies at the negotiating table. The WTO is not going to be a friend . . . of the Canadian Wheat Board."

Essentially, the WTO wants the wheat board not to pay prairie farmers until the grain is sold. If the WTO gets its way, Ottawa would have to step in with some type of interim financing for farmers. Federal Agriculture Minister Andy Mitchell has vowed to "vigorously" make the case for the board in the next few crucial months, but the WTO hopes to implement its new agricultural framework at a December 2005 meeting in Hong Kong. And it's clear the international body sees the board as a "monopoly" that stands in the way of liberalized trade.

"Globalizers, they don't like monopolies," says Hartley Furtan, a University of Saskatchewan agricultural economics professor for 26 years who served as Saskatchewan's deputy minister of agriculture from 1993 to 1996. "So how long will the Canadian government be able to sit back and say we're going to live with this international dissatisfaction?" Especially if Canada wants the United States and the European Union to address the subsidies their farmers receive.

This kind of talk is as welcome as a snowstorm on a harvest day for Canadian Federation of Agriculture officials. Federation president Bob Friesen defends the board against charges of monopoly from international interests. "It's an export monopoly, not an import monopoly," he says. "The monopoly powers do not create a trade distortion whatsoever."

Friesen believes multinational grain giants, such as Archer Daniels Midland Company and Cargill, are behind the push to wipe out Canada's cooperative marketing strategy. "Some of the largest grain companies in the world are just poised and ready to move into Canada," he says, "and we know that if that happens, any extra profits will not accrue at the farm gate. We need to make sure the agenda at the WTO is not simply about undermining the ability of individual farmers to make a profit."

Large grain companies have huge financial reach and resources. Minnesota-based Cargill, which traces its first grain

storage facility on the American frontier back to 1865, employs 101,000 people in 59 countries, and had net earnings of \$1.33-billion in the most recent fiscal year. Illinois-based ADM employs 26,000 and has its own fleet of trucks, railcars and river barges to transport grain. Its net earnings were \$495-million last year. The only major markets these multinational grain companies are denied full access to today are Canada and Australia, where farmers can sell wheat to whomever they want domestically but must market bulk international exports through the Australian Wheat Board.

“One could see where multinationals would gain if the wheat board were not in place,” says Furtan. Small farmers, in particular, lack the clout to bargain with global grain giants. Some observers fear that even the experienced wheat board could be bought up by one of these companies on an open market. Friesen predicts, moreover, that losing the wheat board’s protection would lead to more grain flowing into the U.S. markets, angering American producers and possibly prompting further trade action.

Bob Patrick, an Alberta representative on the board of the National Farmers Union, also believes Canadian farmers would become easy targets for powerful companies. And the consequences would ripple outward, he suggests. “These negotiations affect far more people than just these Western farmers,” says Patrick. “A lot of people better start getting concerned because their livelihoods are directly linked to these farmers, whether they work in the equipment or chemical manufacturing business, or whether they’re retailers in farming communities.”

Prairie towns and villages are locked in a delicate interdependency with their agricultural neighbours. Gas stations, grocery stores and restaurants all depend on the continued economic prosperity of farmers. Scores of rural communities have already felt the effects of eroding population bases as small family farms get absorbed into larger, commercial operations that don’t require as much manpower. For agricultural towns and villages, the end of the wheat board could have repercussions every bit as serious as those caused by mad cow disease.

THE THREATS POSED BY THE WTO ARE VERY REAL. SO IS THE Alberta government’s political manoeuvring. Even Premier Ralph Klein has made an appearance at an anti-board protest. And though the private member’s bill Calgary-Mountain View Tory MLA Mark Hlady introduced last spring to break open the wheat board died on the order paper when Klein called the election for November, Hlady intended to reintroduce Bill 206 in the spring.

Among the bill’s backers was Deputy Premier and now Finance Minister Shirley McClellan. “The Alberta government has made it clear—we’re not for or against the wheat board,” she says. “We simply think our farmers should be offered choices, as farmers in Ontario and Quebec are offered choices.” The lack of freedom, she feels, “goes against the grain” in this province. As she sees it, producers make decisions about every other aspect of farming, from how much fertilizer they apply to whether they buy that new combine. But when all their decisions have led to a productive crop, they’re not allowed to decide how and where to sell it. Farmers are eager for independence, argues McClellan. “They want to control their own destiny,” she says.



Drew Myers

An Organic Conundrum

While some conventional farmers feel they are not well served by the Canadian Wheat Board, try letting organic barley and wheat growers bend your ear. “We do the marketing, find customers, arrange transportation, we get the product from our farm to the customers, we assume the risk of whether or not they’re going to pay the bill, and yet the wheat board insists on taking their pound of flesh,” says Tony Marshall, a fourth-generation farmer on land next to the Highwood River, just south of Calgary.

The 51-year-old is not raising his voice. But he isn’t shy about sharing his opinion about the “redundant” wheat board, which doesn’t differentiate his premium product from the rest of the pool. “We sold some grain earlier this year down into the States,” he says. “We had to sell it back to the wheat board and buy it back at an inflated price. It cost us a couple thousand dollars.”

Marshall isn’t set on the wheat board’s destruction, however. For one thing, marketing is time-consuming, and farmers often can use the assistance. “I’m 99 per cent of the time on the telephone,” says Marshall, “and 1 per cent on the tractor.” He realizes that the board does help farmers who aren’t comfortable with marketing, so he favours a dual-market approach.

Allan Graff agrees, even though the Vulcan-area farmer says he doesn’t need the board himself. “If we go away from marketing in an ‘orderly fashion,’ I would see many farmers not knowing how to market their grain and being taken advantage of and possibly losing their farms.” —Hanneke Brooymans

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—International Trade Minister Jim Peterson

Darren Winczura, a 37-year-old from Viking, is one of those farmers. He used to be an anti-board poster child. Two years ago, he served a day in jail for carrying a bag of wheat across the Montana border in 1996 and donating it to a 4-H club. He also paid \$850 in fines. Today, however, he's not convinced the province's "free choice" campaign is anything more than political point-making. "The province has always said they're behind us," says Winczura, "but they haven't really done anything."

Traditionally, tough years mellow attitudes toward the board. Winczura, who surely would have been counted among the "freedom fighters," is a prime example. He sold all the wheat he grew last year to the board. "Time kind of heals all wounds," he says with a shrug. "I've done my thing, made my point. The wheat board price is actually quite good."

Ken Farion, a 48-year-old who farms near Vegreville, also believes the board's pooling capabilities do help farmers. "It's a monopoly on my side," says the fifth-generation farmer. He, too, had moments of doubt. But in the early 1990s, when he went to the U.S. and looked at their prices, Farion realized their different units of measurement only made it look attractive. "We're getting more here," he says.

The marketing work the board does is also invaluable, according to Farion, because it takes pressure off individual farmers. They don't have to constantly monitor the markets, which is what Farion does when he sells his own canola. "I know there are very few times I hit the high," he says, "even though, in the coffee shop, a lot of guys seem to hit the high."

Acknowledging that complaints were getting louder in the 1990s, the wheat board has made an array of internal changes. For the last six years, representatives have been elected to its board—they hire the CEO and approve budgets—and farmers today have a multitude of choices about how and when they get paid for their grain. The board's chairman, Ken Ritter, says farmers who still battle the board probably have not recognized these changes. Speaking on the phone from his farm near Major, Saskatchewan, just 60 kilometres from McClellan's farm at New Brigden, Alberta, Ritter says the board has made a "fundamental" shift in the last five years. "There are so many options now," he says, "to help [farmers] meet their business needs."

In a June 2004 newspaper column, responding to federal Conservatives criticizing the wheat board during the election campaign, Ritter wrote, "When we negotiate with our customers, whether in Canada or across the globe, they know that there is only one source for the product we're selling . . . This kind of negotiating power is what every successful business seeks to achieve in its marketing efforts. From John Deere to Microsoft to Lexus, successful businesses develop brand loyalty and then use that loyalty to extract a premium from the marketplace. But if the product can be obtained from another source—if customers have the choice to buy it from several different competitors—then the ability to negotiate from a position of strength is eroded. The result would not be a dual system in which farmers could choose between selling their grain through an effective

single desk seller like the CWB or elsewhere; rather, farmers would be left to fend for themselves in an entirely open market in which customers in Canada and abroad could choose to do business with whoever gave them the lowest price for grain."

WHAT OPTIONS WILL REMAIN FOR FARMERS IF THE CANADIAN Wheat Board is crushed? Or if its collective marketing powers are mangled by the scorn and pressure of international and prairie players? Depends on who you talk to, of course.

Saskatchewan agricultural economist Hartley Furtan believes farmers are not ready for major, immediate change. "It may be true we could market without the board," he says, "but we can't do it without a transition." The board has a large say in transportation matters these days, for example. Grain companies could use attractive freight rates to woo newly independent farmers at first, Furtan says, but costs could go up for farmers in the long term.

Ritter says the board is the only organization that can use either CP or CN rail lines. This gives the board better leverage for services and prices. If there were an open market, farmers would be subject to prices demanded by the rail line or grain company closest to them.

Furtan also wonders how wheat would be priced. Right now, grain producers receive an initial payment for their crop when it's delivered to an elevator. The amount is announced at the start of the crop year. The board sells this crop throughout the year, collecting funds. At the end of the year, it deducts its expenses and sends farmers their portion of the final payment. If the board no longer existed, how would farmers discover what the price of wheat is, Furtan wonders, with no wheat futures market in Canada.

Jim Unterschultz, an associate professor of agricultural finance and marketing at the University of Alberta, doesn't believe the wheat board is providing many benefits now. But he worries Canadian farmers would find themselves pitted against each other by international grain companies if they venture out on their own. And if Albertans are allowed to forge ahead into an experimental open market, farmers in the other prairie provinces could suffer. Alberta farmers, naturally, would target the plumpest niche markets, and this "cherry picking" would cripple the Canadian Wheat Board's remaining pool.

"In the end, whether or not the wheat board continues to operate has to be up to the farmers," says Ken Nicol, former Alberta Liberal leader and now an associate professor in the University of Lethbridge's management faculty. But he does have a major concern. "If small producers really think they will be able to out-market these internationally established grain firms," says Nicol, "they must know something the Canadian Wheat Board doesn't."

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