

# **Freedom to Market - Reforming the Canadian Wheat Board to Promote Economic Growth in Western Canada**

2007

The Canadian Wheat Board (CWB) has held a monopoly on the marketing of wheat grown in Western Canada for export or domestic consumption since 1943 when the Government of Canada made selling wheat through the CWB mandatory in order to guarantee a steady supply of food to Europe during a time of war. In 1949, barley and oats were added to the monopoly. (Oats were eliminated in the 1980's). The role of the CWB has continued to evolve. Since then, the CWB has been responsible for the marketing of wheat and barley grown in the designated area of Western Canada consisting of Manitoba, Saskatchewan, Alberta and the Peace River District of British Columbia. The CWB has also been responsible for administering the process of issuing export licenses for all wheat and barley exported from Canada. Inside Canada, only Western Canadian farmers in the designated area are forced to participate in this pooled process.

On July 27, 2006, the Canadian Government hosted a roundtable discussion about options for implementing pro choice marketing options for Barley and Wheat producers in Western Canada. Participants included David Anderson, Parliamentary Secretary for the Canadian Wheat Board, Canadian Chamber of Commerce, farm organizations and other industry representatives, individual grain producers, academics, Members of Parliament and government officials (as well as observers from the provincial governments of British Columbia, Saskatchewan and Manitoba).

On September 19, 2006, a task force was struck to recommend options to implement marketing choice for western wheat and barley and to address other issues raised at the July 27 marketing choice roundtable meeting. The task force consisted of experts in grain marketing from the private and public sectors. Its objective was to address technical and transition issues for the Canadian grain industry related to the change to an environment where farmers would be able to sell wheat and barley to any domestic or foreign buyer, including a transformed CWB. The task force recommended a four-stage transition from a CWB with monopoly powers to a marketing choice environment: preparing for change, forming the new CWB, launching the transformed CWB with transition measures and post transition.

On January 16, 2007 The Honourable Chuck Strahl, Minister of Agriculture and Agri-Food and Minister responsible for Canadian Wheat Board, announced the government's commitment to providing marketing choice for western grain farmers; while continuing to preserve a strong Canadian Wheat Board as a choice to farmers.

Agriculture and Agri-Food Canada subsequently announced a plebiscite for western barley producers as a means of consultation with farmers and stakeholders.

On March 28, 2007, a clear majority of farmers who cast votes in the barley plebiscite indicated that they wanted to end the Canadian Wheat Board's monopoly on barley and have the freedom to market their own product.

Agriculture and Agri-Food Canada responded to the plebiscite results by indicating that it is the Canadian government's intention that marketing choice for Western Canada's barley growers-including an option to continue selling to the Canadian Wheat Board- be a reality by August 1, 2007. The government introduced regulations to the Canadian Wheat Board Act removing barley from the CWB's marketing monopoly on that date. These regulations would have enabled barley producers to sell their barley directly to any domestic or foreign buyer, including to the CWB.

On July 31, 2007, the Federal Court ruled that it was beyond the federal government's jurisdiction under the Canadian Wheat Board Act to make this amendment by regulation. Only through an Act of Parliament can such a change to the Canadian Wheat Board Act be made. As a result, the proposed regulations could not come into force and Barley Freedom Day, expected to have been August 1, 2007, could not take place.

Innovation and increased secondary and tertiary processing are key components in the Canada's Agricultural Policy Framework. The current "single desk" model restricts Western farmers from marketing their own wheat and barley, significantly detracting their ability to respond to market demands and earn a premium return in recognition of the innovation provided, including innovation in value-added processing and biotech products.

As the world grain trade evolves to an attribute-based or specification-based system, farmers must have the freedom to market not only their product but also to couple their production methods with the product produced. A single based selling system restricts farmers from capturing premiums associated with specification-based production.

Western Canadian farmers need to have the right to market their practice and products on their own if they so choose. For the Western Canadian grain industry to meet its full potential, value chain members must be able to work together much closer than they have in the past without the interference of outside agencies that fail to allow for the full flow of information including price signals along the value chain.

Canada cannot afford to hold back our most efficient and innovative farmers by denying them the right to market their products. The Canadian Chamber's mission is to help foster growth in Canada's economy by increasing our productivity and competitiveness; thereby raising the standard of living for all Canadians. This mission is based on a person's ability to enjoy the liberty associated with running a business in a free and open economy; a liberty that should not be denied Western Canadian Farmers.

## **Recommendations**

That the federal government:

1. Immediately amend the Canadian Wheat Board Act to provide Western Canadian farmers and value-added processors the voluntary option to participate in the Canadian Wheat Board. This amendment would give all farmers the right to market their own production of wheat and barley to any buyer they choose.
2. Immediately introduce Canada's free market principles into Western Canada's wheat and barley industry.