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Competition will drive agri-business development

The Canadian Wheat Board has a monopoly on the marketing of wheat and barley in western Canada and is facing questions, both from within Canada and from abroad, about its relevance in an era of global trade.

The Red Deer Chamber of Commerce believes that the CWB's current monopoly is not consistent with Western Canada's free market principles and commitment to freedom of choice. It is also inconsistent with a goal to develop local agri-business/value-added agriculture as the CWB introduces barriers to sourcing wheat and barley that are not experienced in other countries.

The Canadian government created the wheat board in 1935 in response to plummeting grain prices during the Depression that threatened to destroy the industry. The CWB followed in the footsteps of previous attempts to temporarily stabilize the grain market in Canada in times of crisis.

The Board was *originally a voluntary agency*, given the mandate to market Canadian grain at a fair and stable price for all its members. But since 1943, Canadian wheat farmers have been compelled by law to sell their crops only to the Board.

Barley and oat farmers also came under the Board's control in 1949. Oats were removed from the CWB's jurisdiction in 1989. The CWB now has control of all wheat and barley grown in the West that is destined either for human consumption in Canada or for export.

The law governing the CWB was changed in 1998, so that the Board is no longer a Crown corporation. Instead of being run by government appointees, the Board now has 15 directors, 10 of whom are elected by Western farmers and five of whom, including the president, are appointed by the government.

In 1997, a referendum of barley producers found that nearly 63 per cent of the farmers support retaining the CWB's monopoly. Critics of the referendum, however, pointed out that the dual market system wasn't an option on the referendum.

In a plebiscite of Alberta farmers in 1996, 66 per cent were in favour of the dual market system.

The Board also survived a court challenge in 1997. A group of Alberta farmers argued that the Canadian Wheat Board Act infringed on their freedom of association and the right to earn a living. A federal judge ruled that the monopoly was legal and a reasonable infringement on the farmers' freedoms.

The CWB has also faced pressure from south of the border. In 1993, Canada exported 2.8 million tonnes of wheat to the U.S. The record flood of Canadian wheat into the U.S. market had American farmers and senators from farm belt states crying foul.



Canada agreed to a temporary cap of 1.5 million tonnes on wheat exports for one year, from September 1994 to September 1995. After the cap expired, Canada again faced pressure to curb wheat exports to the U.S. The Canadian government resisted.

U.S. agriculture officials argued that the practices of the CWB constitute unfair trading practices and give Canadian farmers an advantage. Canadian officials responded that the CWB passed an initial audit in 1993 and a dispute settlement panel of the North American Free Trade Agreement.

In 2002, U.S. Trade Representative Robert Zoellick said he would be pursuing a campaign against the Canadian Wheat Board, which may include a challenge to the World Trade Organization.

Also in 2002, the Government of Canada's House of Commons Standing Committee on Agriculture and Agri-Food produced a report on the Future Role of Government in Agriculture. Recommendation #14 of that report specifies: *"Farm activities and local value added processing are an excellent way to give farmers more influence in pricing, the Committee recommends that the Board of Directors of the Canadian Wheat Board authorize, on a trial basis, a free market for the sale of wheat and barley, and that it report to the Committee on the subject."*

The Bush administration issued a report in February 2003 that claimed the board enjoys advantages such as low-interest loans and use of government-owned rail cars, and that its monopoly status protects it against market risks. Canadian grain trade organizations replied that the WTO allows for bodies such as the CWB, as long as they comply with commercial business practices.

On March 4, 2003, the U.S. Commerce Department imposed a 3.94 per cent tariff against Canadian wheat exports. This preliminary duty, which will be in effect until a final determination is made in August, was much lower than Canadian trade officials expected.

The U.S. market represents about 10 per cent of the Canadian Wheat Board's sales, or about \$400 million a year.

That the Red Deer Chamber of Commerce endorses a position which would require the Canadian Wheat Board to:

Recognize the fundamental free market principles of our economy by encouraging the Canadian Wheat Board to:

- Authorize, on a trial basis, an option for farmers to opt out of mandatory sale of wheat and barley to the Canadian Wheat Board and
- Authorize those who have chosen to opt out of the Canadian Wheat Board to enter into a free market for the sale of these commodities.