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—
Chair

Mr. Gerry Ritz

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•(1105)

[Translation]

Mr. André Bellavance (Richmond—Arthabaska, BQ): Thank you, Mr. Chairman.

I believe the members of the committee are well aware of the issue since we heard recently some members of the Fédération des producteurs de pommes de terre du Québec and of people who are directly affected by the situation in Saint-Amable. Pardon me?

[English]

The Chair (Mr. Gerry Ritz (Battlefords—Lloydminster, CPC)): I call this meeting to order.

Gentlemen, you've all had a notice that our meeting this morning has been turned on its ear a bit.

To start with, we will move to the motion by Mr. Bellavance, for discussion.

André, do you want to lead us off on that?

The Chair: Mr. Easter was talking rather than listening.

Okay, is everybody ready to go now? Good.

Please continue, André.

[Translation]

Mr. André Bellavance: Has the motion been distributed? I don't even have it.

[English]

The Chair: Yes.

[Translation]

Mr. André Bellavance: Thank you very much, Mr. Chairman.

[English]

The Chair: The interpreters don't have a copy of the motion, Jean-François.

They do now. Good.

André, please.

[Translation]

Mr. André Bellavance: Thank you very much.

As I was saying, members of the committee are well aware of the issue since we've recently heard representatives of the people who are affected in Saint-Amable.

With this motion, I'm asking the committee to recommend to the government that it consider setting up a special financial help program for those persons since they are not eligible to other types of programs.

I know that there's a press conference going on at at this time. The president of UPA, Mr. Laurent Pellerin, is talking about the problem and is asking the government to provide special help to the potato producers and horticulturists of Saint-Amable.

That's the objective of my motion. We're asking the government to get involved immediately by setting up a financial help program specifically for those producers.

I may add that this is similar to what we did when the Quebec tobacco producers couldn't produce any more, for various reasons. Obviously, we all know that tobacco is not in great demand today and we wanted governments to look at how they could help those producers change crops.

We might consider the same thing for the Saint-Amable potato producers who, quite probably, won't be able to continue this type of production in the future because of what has happened.

Through you, Mr. Chairman, the committee could submit this report to the House.

[English]

The Chair: Thank you, Mr. Bellavance.

Discussion?

Mr. Easter, are you reaching for the microphone? Force of habit?

Hon. Wayne Easter (Malpeque, Lib.): Yes, it is force of habit.

Mr. Chair, we are supportive of this motion. I think the government has to move quickly to intervene financially, both in the short term and over the long term.

As I mentioned, when the potato producers were here...you do have to put producers in the financial position of being able to accept the restrictions that are placed on them, and not because of getting calls from their bankers and other creditors, not by trying to find ways around the restriction and putting a product on the market that could cause trade disruptions for the country as a whole.

So these producers in this region basically, by not shipping their product—and it's a problem that is caused by no fault of their own—are really giving a benefit to the country as a whole in terms of our trade requirements.

I would suggest, Mr. Chair, in the potato wart issue, which I'm very familiar with in P.E.I., over the long term, the government as a whole has to find ways of taking land out of production indefinitely in these kinds of cases.

I have situations where people are going in on the land. It has to be disinfected by CFIA. They're monitoring it all the time, at a huge cost. The best approach would be just to take that land out of production entirely, put it into forestry or other means, and compensate producers for their lost potential opportunity.

So I'm supportive.

• (1110)

The Chair: Okay. There were two other outbreaks a few years ago, one on Vancouver Island and one in Newfoundland. We could maybe pattern what this government should do after what the other government did for those two areas that were zoned out. We do have a precedent. I don't know of any financial compensation that the former government paid out to those two zones, but they're in the same situation.

Mr. Bezan.

Mr. James Bezan (Selkirk—Interlake, CPC): Mr. Chair, I want to ask André for some clarification. How many producers are we talking about, and what—

The Chair: Twenty.

Mr. James Bezan: Twenty producers. What's the interim loss so far?

The Chair: The numbers vary...\$6 million?

[Translation]

Mr. André Bellavance: About the number of producers who are affected, we got that from their representatives when they came here. There are about 20 potato producers who are involved but there are also some horticulturists whose plots have been contaminated as well. So, they might be added to the number. However, they are not numerous. It is mainly the Saint-Amable area that has been contaminated.

[English]

The Chair: Monsieur Roy.

[Translation]

Mr. Jean-Yves Roy (Haute-Gaspésie—La Mitis—Matane—Matapédia, BQ): A point of order, Mr. Chairman.

Since the motion has to be seconded before being discussed, I want to tell you that I second it.

[English]

The Chair: Okay.

Alex.

Mr. Alex Atamanenko (British Columbia Southern Interior, NDP): I have a point. I think it would be to everybody's advantage if the government would react quickly to solve this immediate crisis. I think everybody would win. I think it would be good for everybody. Instead of going back and forth and looking at other solutions, if we could somehow impress upon our government to react quickly and

simply do it—this is a long-term crisis—I think it would be a good idea.

The Chair: Any further discussion?

Jacques.

[Translation]

Mr. Jacques Gourde (Lotbinière—Chutes-de-la-Chaudière, CPC): It's a very good motion. I would only want to add "in conjunction with the producers" in the first part, if Mr. Bellavance agrees.

Mr. André Bellavance: Where?

Mr. Jacques Gourde: It says that "the Standing Committee on Agriculture and Agri-food recommend that the government consider the advisability..." It would be easy to add "in conjunction with the producers".

Mr. André Bellavance: I'm not sure that this is in order. I'm not opposed to the suggestion and that there be discussions in collaboration with the producers. I understand the point.

Mr. Jacques Gourde: The producers have asked that we include them and that they be partners in setting up [*Inaudible- Editor*] with them. It's important that they [*Inaudible- Editor*].

[English]

The Chair: On a point of clarification, Jacques, are you talking about putting that point in the preamble or somewhere in the motion itself...in points one or two, or are you putting it in the preamble?

[Translation]

Mr. Jacques Gourde: In motion number one.

[English]

The Chair: Okay, motion one.

[Translation]

Mr. Jacques Gourde: It says that "the Standing Committee on Agriculture and Agri-food recommend that the government, in conjunction with the producers, consider the advisability of intervening immediately..."

[English]

The Chair: This is a recommendation to the government that forms the motion as such. Your point is in order, according to the clerk. It's up to the committee as to whether or not they want to accept the amendment.

So the amendment as it stands, then, would interject, "The Standing Committee on Agriculture and Agri-Food, in conjunction with producers, recommend...". Have I got that right, Jacques? Okay.

You're okay with that friendly amendment, André? Okay.

So the motion, then, has now been amended—a friendly amendment. The mover has accepted it. Do I have a show of hands on the amendment?

An hon. member: Could you read the amendment again, please?

The Chair: Point number one on André's original motion would now read:

That, given the lifting of the American embargo, except for the regulated area of Saint-Amable, the Standing Committee on Agriculture and Agri-Food, in conjunction with producers, recommend....

So we're adding "in conjunction with producers", as I understand it. Correct me if I'm wrong.

•(1115)

Hon. Robert Thibault (West Nova, Lib.): I don't think that was the intent of the amendment by Mr. Gourde. I think his intention—and I'm asking the question—was that the government, "in conjunction with the producers"....

A voice: Or "in support of".

[Translation]

An hon. member : That's also my understanding.

Mr. Jacques Gourde: Yes, that's it, so that the producers not be excluded from the discussion.

[English]

Hon. Robert Thibault: It's not a joint recommendation of the producers—

The Chair: So the amendment would then fall in under the third line, "that the government, in conjunction with producers, consider". Is that where you would insert it, then?

Mr. James Bezan: Would you say "in conjunction" or "in support of"? What would be the proper wording?

The Chair: It's Jacques' amendment, so....

Read it as you see it, then, Jacques, so we get it all straight.

[Translation]

Mr. Jacques Gourde: The amendment would then read: That, given the lifting of the American embargo, except for the regulated area of Saint-Amable, the Standing Committee on Agriculture and Agri-food recommended that the government, in conjunction with the producers, consider the advisability of instituting a financial aid program specifically for the producers affected by the golden nematode, as existing programs are ineffective.

[English]

The Chair: It would then read:

That, given the lifting of the American embargo, except for the regulated area of Saint-Amable, the Standing Committee on Agriculture and Agri-Food recommend that the government, in cooperation with the affected producers....

Does everybody have it straight?

(Amendment agreed to)

(Motion agreed to [See *Minutes of Proceedings*])

The Chair: We will draft the report, André, and stand and deliver it in the House as quickly as possible.

For the second order of business, I will need a motion from the floor to move in camera to continue our discussion on the grain commissions.

Mr. Thibault.

Hon. Robert Thibault: Before we do that, can you tell us why this witness isn't appearing? I was on the health committee for a year and a half and we never had a bureaucrat refuse to appear or not be

able to make it, and then at the last minute find out. It seems odd that this year a lot of bureaucrats are not attending committees and presenting themselves as witnesses.

The Chair: I can't speak to any other committee. Mr. Verheul called and said he was down with the flu today. It's not that he's refusing to come, or whatever. I said jokingly, just bring a note from your doctor and we'll be okay. That's as much as I know.

We will follow it up. We will have Mr. Verheul before this committee.

Are there any other points?

Hon. Wayne Easter: The three opposition parties presented a motion to the committee some time ago on a recommended witness list. It seems rather strange to me that the organizations and individuals on that list don't seem to be coming forward, but we're continually getting individuals and organizations that weren't on the list. I expect it's at the behest of the government, as it tries to find people out there who want to attack the Wheat Board.

I'm tabling a point at this time that we expect those witness lists to come forward quickly, because it has been dragging on for a number of weeks now.

Second, I do not accept the fact that Howard Migie, whose report was tabled yesterday, will be before this committee for only one hour. That committee has met in secret for a month. It has major implications for the Wheat Board. There are no witness lists attached. In that report there is no indication where they had meetings and with whom. I believe we need him here for two hours; one is just not acceptable. He is a public servant who works for Agriculture and Agri-Food Canada. We should have him here for two hours.

•(1120)

The Chair: Your point is taken, Mr. Easter. We had fulsome discussions with the steering committee, and then it came to committee of the whole with the steering committee's recommendations, and this is how we set up the calendar.

If you look at today, we had an hour with Steve Verheul and then we had an hour with the Wheat Board witnesses. We also have an hour this afternoon with the minister. But the hour for Mr. Migie was put into the calendar a week or ten days ago. If you want to stretch that to two hours, I don't have a problem with that. We're going to have a problem with the other witnesses who are there for the second hour, unless you want to bring Mr. Migie back for a second hour independent of this, or cancel this hour and go for two hours next week.

What do you have in mind?

Hon. Wayne Easter: Let's see how he does in the first hour and go to a second later—

The Chair: Okay. You can always recall him.

Hon. Wayne Easter: This report has set a new low for task force reports, that's for sure.

The Chair: Okay. And as to your queries about witnesses not showing up, I point to the witnesses on Thursday; the second hour was completely off the opposition list. We've tried to maintain a balance. Not every witness on the opposition list or government list is able to come forward at this time. So we're doing the best we can.

If you've got a better way of doing it, I'm certainly open to that.

Having heard all of that, let's move back to why we're here. Could I have a motion from one member of the committee to go in camera?

Mr. Garry Breitreuz (Yorkton—Melville): I so move.

The Chair: Is everybody okay with that motion?

(Motion agreed to)

The Chair: We will now move in camera.

[*Proceedings continue in camera*]

- _____ (Pause) _____
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[*Public proceedings resume*]

• (1205)

The Chair: Gentlemen, welcome to the committee this morning.

We have before us today Gary Pike, chief executive officer of Pike Management Group, and Jim Smolick—no stranger to the committee—president of the Grain Growers of Canada. It's good to see you, Jim. Also here is Dr. Al Loyns, appearing as an individual; and with the Canadian Cooperative Association, Herb Carlson, member of the board of directors. Welcome, gentlemen.

We have you each down for about a ten-minute maximum presentation. I'll start waving when you have a minute left. We're trying to squeeze everything into an hour, which is almost impossible.

I'll assess the time at that point. We may have to drop to five minutes for the opening rounds, if that's okay, gentlemen. May I have some consensus on that at this point? It may be all we get.

Some hon. members: Agreed.

The Chair: Okay. Thank you.

We will start with Mr. Pike, please.

Mr. Gary Pike (Chief Executive Officer, Pike Management Group): Thank you very much, Mr. Chairman.

Pike Management Group is a company operated out of Calgary, Alberta. We work with about 2.5 million acres in western Canada. We represent a lot of grain farms, ranging in size from 5,000 to 70,000 acres, and cow-calf operations of 250 to 3,600 head.

The majority are young, expanding farmers, and our company is actually farmer-owned. PMG provides marketing and management assistance to large, profitable grain farms.

Turning to the Wheat Board, there's an outline I would like to take a look at initially in speaking to whether or not the board is working today. I think this is one of the fundamental things we have to look at initially, and I'll talk a little bit about cashflow, market signals, and what has changed, and then move into the idea of a dual market and

discuss the advantages of the board, the advantages to the trade and to the producer, and then summarize with some conclusions.

First, concerning whether the board works today—and you will be getting a handout on this once it's translated—I took the opportunity to look at pricing opportunities out of Unity, Saskatchewan, which is a central Saskatchewan location for No. 1 CWRS 13.5 protein. This was done on October 23, looking at the kind of revenue we can produce under various months of futures contracts and also what kind of revenue we get through the fixed price contract and from the initial price itself.

Looking at an average yield in that area, I must say that the fixed price contract will offer nearly \$200 an acre, but the initial price only gets us to about \$93 an acre, which is relatively low. At the same time, if we were trading with the same costs off the Minneapolis futures, we would be looking at a potential of \$242 an acre, or nearly a full \$1 a bushel better than we would get out of anything offered from the Wheat Board today.

Even under the current prices against the December contract, we would be looking at about \$218, which again is \$20 positive per tonne to the producer.

Not only are the prices stronger than going through the Wheat Board system, but I think the major influence is that there is no cashflow; the system does not provide for cashflow.

Also, for barley right now we're looking at world highs in barley prices, with the drought in Australia and so on. The board is constrained by its own structure from taking advantage of some of these opportunities right now. The initial price for feed barley is absolutely deplorable. If you lived in Unity, Saskatchewan, your initial price at the elevator would net you about \$17 a tonne, which doesn't go a long way towards paying any sort of expenses.

If you were to use malt PRO and go to Vancouver, you'd end up with a gross per acre of about \$203 or a net of about \$53. This is not performing to world standards. Currently, the world export price of barley in malt landed Vancouver is about \$270 a tonne, whereas the board's PRO is at \$184.

So the opportunities in the spot market are very good right now, and we would expect that producers should be able to take advantage of these. The board is not adding value here.

What are some of the reasons the board is having difficulty in functioning in this environment right now and also in providing market signals? I think pooling is probably one of the real issues. Everyone refers to pooling, and I ask producers in our own group whether they understand how pooling works. It's not grade pooling at all; we're not doing grade pooling. The pooling process is a very sophisticated process, not well written up in the act, and it's the least understood process of any of the processes the board carries on.

To be very honest, the system is not working today because of the changes that have happened. This is a key issue, and it's rarely ever discussed. This is business, not philosophical rhetoric. It is the business about how the money is distributed from the sales, and it's outdated and it's misunderstood. This is something few people are acknowledging.

•(1210)

So what has changed? We've got the number of wheat classes and grades. We've gone from looking at 12, when we started the pooling process, to 48, plus proteins. Overall exports have remained relatively flat. We have not seen huge increases in that. The pooling periods have become outdated and the farms have grown in size and sophistication. So commercial farmers require market flexibility to manage their risk in business operations. All other parts of Canada enjoy the freedom to market their wheat and barley, and that's been covered by the folks prior to me.

Then I wanted to take a look at the dual market and look at the advantages of a dual market to the Wheat Board. First, there's no obligation to pool. Grade pooling can be an option for those who want the board to make the decision for them. The trade is willing to allocate space and work with them. The board can provide excellent pricing signals with the grade pooling. The other thing is that the pool periods can be adjusted to market conditions. This is essential. They've tried it in barley and it's been quite successful. If they had the freedom to go out and do this, this would add a lot of dollars. The board could be very effective in that situation. The opportunity to use all the risk management tools will significantly reduce the risk of any initial prices provided in those pools, so you can use and directly arbitrage against Minneapolis, Kansas City, or Chicago, depending on the quality of wheat. And this offers new opportunities for the board to take advantage of.

One of the things in the past was that the board was too large and couldn't play in those markets. Those markets have changed significantly with the advent of the hedge funds participating in them, so liquidity is not an issue anymore. That did exist at one time.

The other thing this would do is help alleviate the U.S. border tensions with a similar price discovery mechanism. If our basis is open and posted, then the price is open and posted, and it should alleviate some of those types of problems.

Now, let's talk about the advantages to the trade, and by "the trade", I mean existing grain handlers and everyone else in the system. It will give them a better use of assets in a less regulated environment. They can pursue export markets with the knowledge that they can get the grain, instead of pursuing the market and hoping to get the grain afterward. They can better manage trade credit on inputs with the ability to contract all grains, which they already do, and in many cases they're having to rely on canola or peas or lentils or other products, but it's hard to get money against any of the wheat. And they can offer the same marketing tools for both eastern and western Canada.

If you take the time to look at Cargill's home page, you'll see that they have a western Canadian page and an eastern Canadian page. The options for wheat are very well laid out in the Ontario side of things, and that's a cost reduction.

The advantages to the producer? Cashflow management is the critical one. Pricing signals? There are opportunities for more of that, huge risk management opportunities using the U.S. futures market that you could arbitrage and design to go into. Basis trading on wheat? We have not been able to use any basis trading. Right now,

the wheat market has tremendous carry in it, and we have not been able to take advantage of that.

The potential for a more efficient handling system, with all the parties moving together in the same direction, is something I can't emphasize enough. We have to back away and take a look at what the transportation system and the overall regulatory system looks like today, because it does need some revamping. It's going to provide additional opportunities for the value-added sector as well, and this has been mentioned by a number of people prior to me.

In conclusion, I'd say the dual market provides opportunities for all the current participants if they are willing to change with market conditions. The Canadian Wheat Board's stance that they can't operate in a dual market is true if they do not change, but in reality the system's not working today, and change is really, really needed. The business of agriculture is growing, and we're seeing some very good opportunities out there.

•(1215)

The U.S. futures are seen as the world price discovery mechanism, so the change to a dual market can be very smooth and executed relatively rapidly. I think these are real opportunities.

The coming together of food and energy is going to provide many new opportunities for the agricultural sector, and I'm very excited and ready to embrace change.

With that, Mr. Chairman, I conclude.

The Chair: I have the magic finger. Boy, I just shut him down in a heartbeat there. It's great.

We now go to Mr. Smolick with the Grain Growers of Canada.

Please, Jim, go ahead.

Mr. Jim Smolick (President, Grain Growers of Canada): Thank you, Mr. Chair.

On behalf of the Grain Growers of Canada, I'd like to thank you for the opportunity to appear before you here today. My name is Jim Smolick, and I'm the current president of our association. I'm a third generation grains and oilseeds farmer from Dawson Creek, British Columbia, and I grow a variety of crops, including common and proprietor varieties of fine seeds. I farm in somewhat of a unique area, where only the Peace River district of B.C. is included in the Canadian Wheat Board jurisdiction. This, in marketing terms, puts my farm at a competitive disadvantage to a producer growing the same crops in other parts of B.C.

Formed in 2000, the Grain Growers of Canada is a national organization representing the interests of grains and oilseeds producers in Canada. The Grain Growers of Canada do not want to see an end to the Canadian Wheat Board; however, we feel the board should not be the only marketing option available to western wheat and barley producers.

Based on Ontario's model, we feel that all grains and oilseeds producers in all regions of Canada require a flexible system, one that allows them to take advantage of marketing opportunities, which would include but not be limited to local farmer-owned value-added processing, niche markets, and identity-preserved marketing programs.

Based on historical data, one can look at the differences in the level of processing between commodities controlled by the Canadian Wheat Board and those that are independently marketed. As an illustration of the impact that these marketing restrictions are having on Canadian value-added processing, only 2% of Canadian barley goes into food and industrial use, 7% of Canadian durum production goes into food and industrial use, and 22% of wheat goes into food and industrial use. Now, compared to the Canadian oilseeds sector from the same database, 76% of Canadian soybeans go into food and industrial use and 53% of Canadian canola production goes into food and industrial use. My final comparison is that 55% of Ontario's wheat production is processed domestically, which is over twice the national average of 22%.

I guess the question must be asked, why is value-added processing in other sectors of the Canadian grains and oilseeds industry so much further advanced than the grains under the Canadian Wheat Board's jurisdiction? We saw the proposed Bill C-300 as an important step in building the value-added industry in Canada, and we need only look at the beef sector and the once untapped value-added potential if it had not been for BSE. Clearly, the BSE issue was extremely devastating to the cattle industry, but it did point out and prove that there are other ways to market their product.

New opportunities are developing in high-value niche markets as well. The potential for increased revenue from value-added processing is growing. Both of these key areas will only become more important in the future as the benefits of the life science industry begin to be realized to a greater degree. As producers, we must be able to move into new and high-valued areas of production if we are expected to compete, especially if we're to consider the growing world production of bulk grains and oilseeds. All Canadian producers need maximum marketing flexibility to accomplish this goal, a flexibility that currently does not exist in western Canada.

A voluntary Wheat Board would quite simply allow the flexibility to producers to choose the appropriate marketing tool. It would allow producers the opportunity to stay with the price pooling methodology if they choose, but it would also allow them the opportunity to enhance returns through their marketing skills. To be clear, as a producer you would choose an appropriate tool each and every year and possibly utilize both methodologies in any given year. This decision by the producers is based on his or her understanding of market forces that will eventually determine price.

I think it's also important that we understand how technology and the transfer of information has changed the way we make management decisions and predict pricing. Now, when my grandfather first started farming, he didn't carry a cellphone or run a computerized horse. His ability to understand crop conditions in the rest of the world was limited at best, so price pooling was an appropriate risk mitigation tool. When I first started farming many years ago, I also did not have a cellphone, or a computer for that matter. The explosion of information that I can obtain now on current crop conditions around the world can help me determine price direction. A case in point was the severe drought in parts of Australia and the United States this summer.

There's a very real concern that in western Canada we will not capture this once-in-a-decade run-up on wheat prices. The Canadian Wheat Board's estimate on pool returns for the 2006-07 crop year is

barely above levels a year ago, while U.S. wheat prices are at an average of 47% higher than a year ago. In this unprecedented era of low market returns, it would be unimaginable not to capture the spike in prices to its fullest extent.

I know in the past you've been presented with many comparisons of wheat values between Canada and the United States, but whether that difference is 50¢ a bushel on hard red springs or \$1 on winter wheats, it represents a lost opportunity. As producers we struggle to continually become more efficient to survive, and yet at the very end of the selling stage, our property is sold at less than fair market value at times by an entity that has no vested interest in our farms.

As a producer of wheat, I am in control of every decision that controls my crop for sale. As I look around the room today, I see that many of you have been, or are, directly involved in grains or oilseeds production. You understand the management requirements in growing a crop. For me, it starts right after harvest when I decide which fields will grow not only the crop but the variety as well. I decide if the soil nutrient analysis should be done; the blend and quantity of fertilizer to be applied next spring; and when to purchase the fertilizer and other inputs as a price protection measure. I determine when to seed, the type of seeding tool, when to spray, and with what product. Finally, I decide when to harvest. Once I have the wheat in a marketable position, I am then bound by law to market my quality or grading wheat through the Canadian Wheat Board. The overarching question is, why at this point do farmers lose control over their private property?

• (1220)

As you can see, all of the decisions I've just talked about, as well as other factors, will determine my cost to produce that crop. I'm the only one who knows what value I need to achieve from the sale of that crop to cover my costs. Yet the only guarantee I have through the Canadian Wheat Board is for the initial payment, which at present for wheat is less than 50% of the world wheat price.

While I acknowledge that there are other pricing and payment options for a fee, producers still must accept a certain level of risk. It is clearly unacceptable to remove the producers' right to market his property. It is also clear that producers may or may not achieve a better price through their own marketing, but the same can be said about yields, where management decisions will determine the crop. Regardless, they will still be in control of their own destiny.

In closing, there has been a lot of discussion about a producer plebiscite. We would caution that a move to this type of vote will not resolve the issue. Regardless of the outcome, there will always be fault attributed to either the question, the voters' list, or numerous other concerns. The archaic idea of "one person, one vote" methodology gives a disproportionate voice to the majority of producers who produce only a small percentage of the crops, or, in other words, the 80-20 rule. I can only imagine where Microsoft would be today under that system.

I'd like to thank you again for the opportunity to speak to you here today on this issue and would be happy to address any questions you may have later.

• (1225)

The Chair: Thank you, Jim.

We'll now move to Dr. Loyns, please.

Dr. Al Loyns (As an Individual): Thank you, Mr. Chair.

My presentation is made at the invitation of the clerk of this committee, strictly in the context of my role as an agricultural economist, a farmer, and as a Canadian citizen who has long-standing interest and experience in agricultural and food policy. I'm not here to represent any particular interest group or any particular view of the world. I appreciate this opportunity to share what little bit of information an economist and a former professor can squeeze in to ten minutes of presentation. I'll do my best.

I've spent 42 years as a professional agricultural economist in this country, mostly in the area of agricultural marketing, and much of that in the areas of market regulation and institutions in grain marketing. My professional knowledge, and I want to stress this, of the Canadian Wheat Board is based on study, on research—I have an extensive publication record—and on teaching involving this particular marketing institution. Being at a university in Winnipeg, where the Canadian Wheat Board is also located, provided an excellent opportunity for exchange through students, research, and people, and we've been involved in that process to a considerable extent.

As a farmer, our operation has produced and delivered both board and non-board grains. In 2006, for example, we harvested 170 acres of winter wheat.

A professional economist has considerable difficulty establishing credibility in terms of analytic objectivity when dealing with marketing boards, and that includes the Canadian Wheat Board. It's much like establishing credibility and objectivity in analyzing religious beliefs. There's a very strong connection between the style of belief in marketing boards and that of religious beliefs. Religious folks perceive that if your conclusions are not in harmony with their beliefs, you're automatically against those beliefs. One is seen to be either for or against marketing boards; there's nothing in between.

The role and performance of the Canadian Wheat Board are extremely important public policy issues in this country. The Wheat Board has been a major component of agricultural and trade policy from the beginning. Information, therefore, must go beyond the for or against dichotomy, beyond beliefs as the instrument for making determination on these policies, and into actual structure and contribution of the Canadian Wheat Board. Hard economic and business information, it would seem to me, is essential to appropriate public decision-making.

I have attempted to contribute to that process for the last thirty or so years of my professional output. In 1996 and 1998, I was qualified as an expert witness in two court cases involving the Canadian Wheat Board. Therefore, in light of the above information, and through being an expert witness, I claim to have some "expertise" on the board from my various perspectives.

I would submit that there are two fundamental questions that need to be addressed in looking at the present Canadian Wheat Board debate. Number one is exactly what the Canadian Wheat Board, as structured, delivers and to whom. Secondly, I won't say much about barley, because there's not much barley handled by the board, but why is wheat different? In terms of what the board delivers, it is a

unique organization in contemporary Canadian legislation. If any side wants to deal with how the debate ought to be resolved, presumably there had better be overwhelming evidence, and indisputable evidence, of the output of the board. For the people who want to retain the board, they had better be able to show net positive benefits. For those who are against the board, they had better be able to show that they would be better off without it.

My conclusion is that there is no indisputable evidence of positive net benefits from the Canadian Wheat Board.

On the second question of why wheat is different, history reveals that this institution has very much been an instrument of national policy. Carter and Loyns, in a Donner Canadian Foundation 1998 publication, show that the other major national and provincial policy instruments that were created in the same time period beginning in the 1930s have disappeared. They've been privatized. CNR is one. TCA—for those who weren't around then, Air Canada—has been privatized, as well as airports, port authorities, and several public utilities, including the prairie telephone systems. Most hog boards have been deregulated. All of the crops that compete for the land base with prairie wheat and barley are open market commodities.

● (1230)

So why is wheat different? The short answer is found in the Canadian Wheat Board Act. But with respect, that begs the fundamental question of why. The question is far from trivial in economic and prairie development terms.

Let me turn quickly to some economic evidence. I really urge the committee, if you pick up on my first point, to at least go to the George Morris 2002 report done for the Province of Alberta. It's available on the website. It's the best source of information on this. I can't cover it respectably in one and a half minutes, but I will try.

There are three approaches that have been taken by economists to produce information on what the board does and what it produces. There have been the benefit studies. Kraft, Furtan, and Tyrchniewicz appeared before you in the past. There was the Schmitz family, and Grey from the University of Saskatchewan has done this work. To make a long story short, they demonstrate at port that \$10 to \$39 per tonne, depending on circumstances, benefits the existence of the monopoly position of the Canadian Wheat Board. They do not, however, generally analyze what happens at the farm level. They seem to resist doing that and do not consider costs.

The second approach is where I've been involved. Colin Carter, Parsons and Wilson, and the George Morris Institute purport to analyze costs. The costs that have been estimated from the existence of the regulation surrounding the Canadian Wheat Board are in the order of \$10 to \$25 for wheat and higher for barley.

The other area is the cross-border comparisons. You heard one of them here today. I'm going to swing quickly to that. In my experience and view, these cross-border comparisons, whether they're serious economic analysis or casual observations by responsible individuals, provide robust and credible ongoing information. There's been a lot of it available since the middle 1990s.

The conclusion I reach on the basis of review of this information—and I wish I had more time to justify what I'm saying but I don't—is there is no economic evidence available that would pass the test of definitively demonstrating that the Canadian Wheat Board monopoly produces positive net benefits for wheat and barley growers. As a result, a trade-off argument that a little pain comes with an assured gain does not hold. That's an important conclusion.

I'll reinforce the comments that were just made that none of these studies take into consideration the loss of value-added on the prairies because of Canadian Wheat Board pricing policies. That's also an important conclusion.

I want to swing quickly to court challenges. Why is an economist talking about legal situations? They have important economic implications, that's why. First of all, the Wheat Board does not have duty of care to prairie farmers. That's been established in court many times. It was argued in 2003 in a court case in Regina. I've heard that it's just been argued again by the Wheat Board in a court case in Regina.

The Wheat Board annual report says the corporation is accountable for its affairs to both western farmers and Parliament, etc. Considering the duty of care position and the requirement of the act that directors are responsible to the Wheat Board for their actions, one has to ask where prairie producers end up in that mix.

Second is the lack of economic and property rights. There's a fundamental economic and property rights disconnect in this situation, where Ontario wheat producers have property rights and prairie producers don't.

• (1235)

Finally, the one that's most difficult for economists to believe is the conclusion and the argument in court that if you don't like the regulations of the Wheat Board, you can pick up and move to another province—there's nothing in the act that prevents doing that. That's unbelievable to an economist. The loss of capital resources, skills, and the whole bag in doing that is impractical. It might be something the legal fraternity can live with in logic, but it's not something Canadian citizens, or particularly economists, should have to live with.

Finally, the task force report suggests that we have voluntary pools in the new regime, if there is a new regime. Many of my economist colleagues and other people say you can't have voluntary pools. To reject the notion that voluntary pools, properly constructed and run, won't work is to reject the notion that mutual funds work.

A pool is a mutual fund, or a mutual fund is a pool. If we looked around this room and did a survey, I'll bet that 50% or 80% of us are using mutual funds and we're happy with them. They will work if they're properly run. There is no reason why they won't work.

I have a lot more I'd like to say, but I'll stop at this point.

The Chair: Thank you, Dr. Loyns.

Mr. Carlson, please.

Mr. Herb Carlson (Member of the Board of Directors, Canadian Cooperative Association): Thank you very much.

As you know, my name is Herb Carlson. First of all, I'd like to apologize. I was notified of this just a few days ago, so I don't yet have my brief translated into French. That translation will be done in the upcoming days, and we'll have it circulated.

First of all, on my own behalf and on behalf of the Canadian Co-operative Association, I would like to thank you very much for the opportunity to speak to you today. I am a grain and oilseed producer from east central Saskatchewan. I farm with my brother; we grow all the grains, we clean seed, and we do all those sorts of things. I'm also vice-chair of the board of Federated Co-operatives Limited. That is Canada's largest non-financial cooperative, serving about 300 retail co-ops in western Canada; together these retail co-ops serve over 1,000,000 members.

I'm here today, though, to represent the Canadian Co-operative Association. I am a member of their board of directors. The Canadian Co-operative Association is a national association. We represent more than 7,000,000 individual members from over 3,000 organizations. Our members come from many sectors of the economy, including finance, insurance, agriculture, food, supply, wholesale, etc. CCA's mission is to provide leadership to promote, develop, and unite cooperatives for the benefit of Canadians and others.

At our annual general meeting this past June, CCA adopted a resolution on the Canadian Wheat Board. We have recently written a letter to the Minister of Agriculture to inform him of this resolution. The resolution stated that the Canadian Co-operative Association would firmly present to the Canadian government the position that the Canadian Wheat Board, group marketing agencies, and cooperatives be strengthened; that the Canadian Wheat Board remain a single-desk marketer; and that any decision to change the Canadian Wheat Board require the consent of the board of directors of the Canadian Wheat Board.

Agriculture is an important part of the Canadian economy and the backbone of Canada's rural communities. The Canadian agriculture system is also a complex web of institutions that relies on governments, marketing boards, cooperatives, the private sector, and, most importantly, the family farm in order to sustain its continued existence. If we open the door to dismantling the Wheat Board, we risk the futures of other marketing boards. They're already under attack from competing countries through the World Trade Organization negotiations.

The Canadian Wheat Board has helped Canadian wheat producers gain what has been estimated to be an additional \$800 million per year in revenue from price premiums, transportation cost control, and other benefits. If the Canadian Wheat Board is no longer the single-desk seller, these additional revenues will be lost to western farmers, who are already hard-pressed. Our members believe a single desk gives prairie grain farmers the power in the marketplace that helps to balance the power of the few large grain companies. In addition, the Canadian Wheat Board's costs are low; some 96% of board revenues are returned to producers.

The Canadian Wheat Board has represented producers' interests in their dealings with railways, and the Canadian Wheat Board's 350,000-odd railcars of grain give it bargaining power. The board has developed marketing relations throughout the world and is a respected seller of high-quality Canadian grain.

I could go on, but defending the business performance of the Canadian Wheat Board is not my primary purpose here today. Rather, I would like to direct my comments to the governance and producer control of the Canadian Wheat Board.

We realize that the present government, as well as some farmer groups, do not agree with the single desk of the Wheat Board and would like to change it. While the Canadian Co-operative Association feels that this would be a mistake, we believe that ultimately the decision to keep or abandon the Canadian Wheat Board must be the result of a democratic process that respects the wishes of the majority of the producer members.

This decision cannot be solely that of the federal government. The Canadian Wheat Board Act indicates, in section 47.1, that:

The minister shall not cause to be introduced in Parliament a bill that would exclude any kind, type, grade or class of wheat or barley...unless

(a) the Minister has consulted with the board about the exclusion or extension; and

(b) the producers of the grain have voted in favour of the exclusion or extension....

The Canadian Wheat Board is a farmer-controlled organization. It is controlled by a fifteen-member board of directors. The government appoints five of these directors, but ten are democratically elected by the western Canadian wheat and barley farmers who use the Canadian Wheat Board. If the majority of these farmers wish to change the mandate of the Canadian Wheat Board, they already have the ability to do so. They may elect directors who favour change. Time and again, however, farmers have voted to elect directors who support the current structure of the CWB. That is not to say that the Canadian Wheat Board has been a stagnant organization. There have been many changes throughout its seventy-year history.

When I started farming on my own in 1974, the Canadian Wheat Board was governed by a panel of commissioners. Soon after, we saw the establishment of a farmer-elected advisory board, and that was replaced by an elected board of directors and a CEO.

● (1240)

Increased farmer-member control has become a driving feature of the Canadian Wheat Board change, especially in its most recent past. The farmer focus has manifested itself in the past few years as the Canadian Wheat Board has responded to farmer concerns about marketing options. While maintaining their right to accept a pool price, farmers can now choose from a variety of other options within the Canadian Wheat Board. This clearly shows that the Wheat Board has and will continue to evolve.

It would appear that the current government is not satisfied that change is happening fast enough. My thirty-plus years as a co-op leader at the local, regional, and now national level have shown me that evolutionary change is the better option in the long run. The structure of grain marketing in western Canada is not something that can be redesigned in four weeks. If farmers want change, they will

elect appropriate directors. Today's grain farmers are knowledgeable business people capable of making decisions for themselves.

As a grain farmer myself, I have welcomed some of the initiatives of the current government changes, including changes to the CAIS and the Advance Payments for Crops Act, but I cannot support what has been happening with the Canadian Wheat Board.

Rules of good governance call for appointments of directors to be based on the significant skills they bring to an organization. I hope this thinking will be reflected in any future appointments to the Canadian Wheat Board, but mostly I hope the wishes of western Canadian grain farmers will be respected in any future changes. Elections are currently under way for the five Canadian Wheat Board members who will have responsibility for directing the board's operations.

If this board of directors wishes to make a major change, such as removing the single desk from the Wheat Board's mandate, then as called for in the act, it must call for a plebiscite of producers. Under no circumstances should such a change be made without a vote by producers on a clear question.

We urge the government to respect the democratic wishes of the wheat and barley producers of western Canada.

The Chair: We'll now move to a question round.

Mr. Easter, you have five minutes.

Hon. Wayne Easter: Thank you, gentlemen, for your presentations. I'll start with Dr. Loyns. It was interesting. Yesterday's task force report came down with no economic analysis whatsoever. We know the task force heard submissions from Cargill, Agricore United, and the Canadian Wheat Board.

We know the Canadian Wheat Board tabled a presentation saying the net benefit to the producers as a result of the Wheat Board single-desk selling is somewhere between \$530 million and \$655 million. From those opposed to the Wheat Board, we hear a lot of what ifs, but no data.

Dr. Loyns, you mentioned that we should refer to the George Morris Centre report. If I recall correctly, in terms of the economic data, the George Morris report is really based on the Carter-Loyns report of which you were an author.

I believe I'm correct in this, that your report was not well received by either the academic community or key industry players like the Saskatchewan Wheat Pool or the Canadian Grain Commission, and the calculations in your report were based on comparing farm-gate sales between the two countries without accounting for the distortions caused by bloated American subsidies, including the export enhancement program. Is that how your calculations were calculated?

● (1245)

Dr. Al Loyns: Definitely not.

Hon. Wayne Easter: Then how were they?

Dr. Al Loyns: It's in the report.

The George Morris report went through several studies. It's the best review of the economic literature there is. That's why I've suggested it to the committee.

It's true when they went back and did their benefits and costs at the end, they used the kind—

Hon. Wayne Easter: If I might interrupt, Mr. Chair, my question was not on the George Morris study; my question was on yours.

The Chair: Dr. Loyns was framing his answer, Mr. Easter. You're going to have to give him time to do that.

Hon. Wayne Easter: He's going to the George Morris study and other studies. The question is—

The Chair: You asked him how the data was compiled, so of course he has to go to the study to give you that answer.

Hon. Wayne Easter: Let's hear it.

Dr. Al Loyns: We spent three months of analysis on our report. There is no way that I can sit here right now and summarize how we pulled it together. I'd invite you to read our report, and ours, by the way, was peer reviewed. Carter and Loyns have always had their studies peer reviewed. We explain how we do it.

If you want to ask a specific question on a specific item in our report, I'll respond to it, but your question was extremely general on a very broad set of analyses that we did. I'm sorry, I can't answer your question the way you asked it.

Hon. Wayne Easter: Okay, that's fine.

Jim, we have heard a lot from people on value-added, but the Wheat Board, in its presentation before the Senate committee, had this to say, and they quoted from the *Milling & Baking News*. It was noted that the *Milling & Baking News*:

...reported in August 2002 that a comparison of flour production among the leading milling nations since 1990, showed that Canada's mills enjoyed the sharpest increase of any country - including the European Union, the U.S., Argentina and Australia. The location of this milling also tells a story about the CWB's success in encouraging value-added processing in the west. About 32 per cent of this milling takes place in Western Canada, compared to just 15 per cent of U.S. capacity located in the grain-growing regions of North and South Dakota, Montana and Minnesota.

Jim, you mentioned that 22% of Ontario wheat goes to value-added production. You compared that with the percentage in the west of wheat. Do you have the tonnage?

Mr. Jim Smolick: No. It's that 55% of Ontario was produced domestically and 22% is the national average. These are stats the Grain Growers of Canada got from Agriculture and Agri-Food Canada, from Stats Can, and that's where those numbers came from.

Hon. Wayne Easter: The more important figure would be tonnage. Do you have those figures?

Mr. Jim Smolick: I'm sorry, I do not have the tonnage.

• (1250)

Hon. Wayne Easter: Thank you.

Mr. Pike, in your discussion you talked to some extent about comparing prices across the border.

Mr. Gary Pike: No, I did not, excuse me, just to clarify.

Hon. Wayne Easter: I believe we can go back to the record and determine that, but in terms of comparing prices, you are talking about spot prices and you're talking about initials with the Canadian Wheat Board. Do you, in your comparisons, compare final pooling

prices, what the net result is through the Wheat Board versus what you would have gotten in the open market?

That's what the Wheat Board really goes to in their figures, in their \$655 million. They include the final prices. The initial price is just that, it's an initial price, and the final price makes the difference.

Mr. Gary Pike: I have the Canadian Wheat Board fixed price contract in place. The initial price and the current futures for December, March, May, and July backed off in the same cost structure as the fixed price, and the fixed price, of course, is pretty well at the PRO, if you'd care to look. So you're compared to the best estimate that the board is giving as to the pooled results.

I apologize for not having these for you. I was unable to get them translated, but you will get them very soon, I gather.

The Chair: Thank you, Mr. Easter.

Thank you, Mr. Pike.

Mr. Roy.

[Translation]

Mr. Jean-Yves Roy: Thank you, Mr. Chairman.

My question is for Mr. Loyns.

You've stated that those people who are in favor of pooling don't really have any justifications and that those who are not don't really have any either.

My question is simple. As an economist, you've probably looked at various scenarios. I'm not an economist but I suppose that, if we were to abolish the Canadian Wheat Board and that a system of voluntary pooling was set up, as a producer I would have to negotiate directly with the big corporations. Is there really any benefit for the producer to be put in such a situation?

I would be surprised if all the producers managed to get the best price individually. I believe that pooling is really necessary. If you're part of a number of producers, you have more negotiating power. As far as I'm concerned, it would be extremely difficult for an individual producer or for a small group to manage to get the best price.

It's not a matter of belief, it's simply a practical matter. I'm sure that you can get a better price when you're part of a group of 1,000 producers than if you're part of a group of 10.

[English]

Dr. Al Loyns: Thank you for the question.

I guess I'll start with my mutual fund analogy. A mutual fund is a pool. It's out there. It can be accessed by any investor under the terms and conditions of that pool. So the voluntary pools do work. I want to reinforce that point. It's not directly on your question, but I want to reinforce that point.

In terms of the collective approach to bargaining, which I think your question goes to the heart of, yes, there's theory and practice of collective bargaining. However, as I read it as an economist, the evidence, again, is that the Canadian Wheat Board does not produce net benefits. It has collective bargaining capability and monopoly powers, which is kind of unique. There aren't many collective bargainers out there that have monopoly power. Unions have very limited monopoly powers, at best.

Collective bargaining power notwithstanding, the way this organization is organized—over the large area, over the market conditions that exist—and the way things have changed over time, produces economic effects and results that at least I interpret as not producing net benefits. That's the best way I can answer your question I think. And it won't be satisfactory, I'm sure.

But the other one is that we don't need this collective bargaining power in most other organizations we're in. I'm in a hog operation. We don't do very well against the big companies, but we think we're doing better than when it was regulated in our province. It was partly as a consequence of the shift in the structure of production in the province of Manitoba that led to deregulation of the hog board.

These are historical events. They're not happening simply because western rednecks or free enterprisers or what have you.... Again, speaking as an economist, I claim to be neither of those, although there are doubts in this room about that, I'm sure. As an economic analyst, the fact of the matter is that people are moving away from that.

Now if you want to talk about the needs of competition in the agricultural sector, to make market power more balanced by other means, I'd love to come back to the committee and talk to that. But we can't do it today.

• (1255)

[*Translation*]

Mr. Jean-Yves Roy: Thank you, Mr. Chairman.

My next question is for Mr. Carlson.

In your statement, you've talked about improvements that were implemented over the years in the marketing process of the Canadian Wheat Board but you did not give us any concrete examples. Could you give us some?

[*English*]

Mr. Herb Carlson: Oh, you're talking about some of the changes that have taken place. First of all, I talked about the change in the government structure. At one time it was controlled by some commissioners who were appointed by the government and they really had the final say. That was changed probably ten years ago, or something like that. To elected farmers, the board of directors of the Canadian Wheat Board—there are five appointed directors and ten who are elected by the producers of western Canada—are now the governing body of the Canadian Wheat Board. That is a pretty significant change, I think, in terms of who controls the Wheat Board and a farmer's ability to influence the actions of the Wheat Board.

The other point I made was that there have been changes in the way it operates since those changes were made in the governance structure. For instance, I think one of the other speakers talked about

the fixed price option; there are early payment options; there's a number of basis contracts. There is a number of those kinds of changes that have been made.

I also want to say that when you come to electing farmer directors for the Wheat Board.... I consulted a number of my colleagues, and these people are all farmers who farm between 3,000 to 5,000 to 10,000 acres. The farmers who support the Wheat Board are not all half-section farmers back on the farm somewhere. This is widely held, because farmers are business people and they make serious decisions about what they want.

Now that we have the opportunity to elect directors, this gives us the opportunity to influence the change. If the board of directors gets to the point at which they think there needs to be another change, at whatever level, then let them do it.

The Chair: Thank you, Mr. Roy.

Mr. Bezan for five minutes, please.

Mr. James Bezan: Thank you, Mr. Chair.

I want to thank all of you for coming and making a presentation today. I appreciate you taking time out of your hectic schedules to be here.

We've had a number of witnesses here who are saying, and I think Mr. Carlson will agree, that the Wheat Board is generating hundreds of millions of dollars more to the farm gate. To get both Mr. Pike and Mr. Smolick up here saying that definitely in today's world we're actually losing money by using the Wheat Board...I want to know if that is only this year, or are you basing this on historical...? Jim, you said this is a once-in-a-decade price run on wheat and we're missing out on it. Is it only this year that the Wheat Board doesn't work, or is it every year that it's not working?

Mr. Jim Smolick: Thank you.

I guess one of the issues is that this year it's more prevalent; it's more noticeable because there is a spike in the run-in prices. But it is correct, the Wheat Board has introduced other measures, but those measures all come down to the question, why are we not picking up the true value of what the wheat is doing on the world market? Part of it is basis, and I know you've heard a lot of that comment, but that's probably the biggest area right now in which we see they're not using a correct or a true basis.

Mr. Gary Pike: The least well understood part of this is pooling, and it is not grade pooling. In other words, we don't take all the No. 1 Canada western red spring 13.5, put it in a bank account, average it out, and divide it by tonnes at the end of the day. What they do is an average of spreads. In other words, how does one grade sell compared to No. 1 Canada western red spring 13.5? And that shifts values within the system. So at the end of the day, at the end of the year, the producer has...it's a real disconnect.

On a year in, year out basis, it's not hard to find situations where the board did not perform as well. I don't think it's because the people at the board are doing a bad job, don't get me wrong. I think the structure is wrong. The structure is failing to produce the kinds of returns that are reflective of a futures market in a mutual fund type of averaging system, which the pool could be. So year in and year out, depending on where you are on the prairies, yes, there have been problems with the board.

• (1300)

Mr. James Bezan: Essentially, you're saying that some grades are subsidizing other grades.

Mr. Gary Pike: Yes.

Mr. James Bezan: Some farmers are subsidizing others, more than you want to share in that. You accumulate losses because of the type of crop you brought in.

Mr. Gary Pike: Yes.

When I was on the Wheat Board advisory committee for four years, I built a model to try to model pooling. Ken Beswick, who later became a commissioner, helped me. We built a model to model pooling because we couldn't understand how some of the numbers were coming out the other end either. With that model, it was finally Ken who got to test it, because he was a commissioner and had the opportunity to test it. He said it worked, and it worked in the days when we didn't have the kind of information we have today.

It's not well written in the act either. The act simply says that each grade shall bear the proper relationship with the other grades. I don't know the exact quote, but that's the effect of it. The situation is that it's not working today. It has become outdated and antiquated with all of the extra grades that have come into play.

Mr. James Bezan: I understand that, but we need to talk about this whole—

Mr. Gary Pike: Value is better on the open market.

Mr. James Bezan: But what about market power? We always hear that the Wheat Board has marketing power. Is that a belief you're...?

Al, you made mention that some studies show there is definitely a return at export position but that it's not being reflected back to the producer.

Dr. Al Loyns: I'd like to spend some time talking about market power. The long and the short of it is that they have market power inside Canada, because they have a monopoly inside Canada, but outside of Canada they don't. The monopoly power outside of Canada is certainly challengeable and can be debated.

Part of the issue of the difference in benefits out there—the \$500 or \$600 that we're hearing now as a benefit, versus the costs Morris showed or the costs we showed—is a question of apples and oranges.

First of all, there's the problem with economists. If you laid them end to end, they couldn't reach a conclusion—and if you laid them end to end, it would probably be a good thing. But economists have different analytic techniques, and when they sit down in a room like this and thrash out their differences, they probably could start reaching conclusions. However, when it gets into propaganda

machines or the media, where everything is treated rather superficially and to somebody's benefit, the logic, the analysis, and the results get distorted.

Briefly, one of the biggest differences at the time was and probably still is in the results of the KFT—the Kraft, Furtan, and Tyrchniewicz—study and the Carter and Loyns study. They were done back to back. They were apples and oranges: KFT did analysis of benefits only at the port; we did analysis of costs at the farm level. There's a disconnect.

The reason I'm suggesting you read George Morris is that they go through all of these and pull this together at the end—including ours, using our model, but using other peoples' results as well—and reach their own conclusions. That's the only definitive, comprehensive, one-methodology study that exists out there, plus it's a good literature review.

The Chair: Mr. Carlson, do you have a final point on this?

Mr. Herb Carlson: Yes. I guess we need to have some economists debate each other. It would be interesting to hear what Kraft and the others had to say about their analysis as well. But that's beside the point.

The question you raised about price and Wheat Board versus... It's a very difficult question to answer. The thing about the open market price is that it changes every day. I've been selling open market grain since 1975—that was the first time I grew canola. Now I grow a whole bunch of different things. You have to have a crop rotation; you don't just grow wheat.

Of course, that gives you the opportunity to experience the open market at work. And do you know what? In 1988 I topped the market for two loads of canola, but I haven't done it every time on every load since. Once in a while you manage to make all your decisions and it all comes together just right, but mostly it doesn't. You can take a price from the market and say, "Look at what we could have gotten on the open market." Yes, but did you get that on the open market? That is the big question.

I'm sure Mr. Pike is a very experienced marketer, and he probably does a better job than I do. But there are a lot of farmers out there, and we have to run farms. The bottom line is that you don't have time. Even with computers and cellphones and all that stuff, you still get busy and you don't always...

Some of you are farmers. How dedicated are you to watching the market every day?

Certainly there will be times when the open market will give you a better deal, but you have to make the sale.

• (1305)

The Chair: Thank you, Mr. Carlson.

Mr. Atamanenko, you have five minutes, please.

Mr. Alex Atamanenko: I'll try to be quick.

Thanks, gentlemen, for being here.

Mr. Smolick, I have a question in regard to your association, the Grain Growers of Canada. You have a number of organizations. Do you know roughly how many producer members there are and whether there are any corporate members?

Mr. Jim Smolick: I wouldn't have an actual count of producer members. We have eight associations across the country. I wouldn't give you an actual number, because it's a subjective number. There are a lot of people who belong to them.

And you were asking about corporate associations? At present, we have no corporate associations.

Mr. Alex Atamanenko: I understand that some have recently dropped out of your organization, such as the Ontario wheat producers. Is that because of your position on the Wheat Board?

Mr. Jim Smolick: No, it was not because of our position on the Wheat Board.

Mr. Alex Atamanenko: I'd like to move on.

Mr. Carlson, you're a farmer. We have had passionate pleas from farmers specifically to have marketing choice, saying we have to do this because it's a free country; we have to allow this.

Why are you, as a farmer, in support of a single desk? And do you feel that the majority of people support your position? What's the passionate plea to retain a single desk?

Mr. Herb Carlson: In the business world there are always rules you have to play by. Sometimes you enter into agreements and other structures that limit your freedom to do things because you feel there is a benefit on the other side. That's how I feel about the Wheat Board. It restricts our ability to market grain wherever we want, but I believe there is a net benefit to marketing through the Wheat Board, that they actually have some market power and they exercise it.

I also believe that farmers are capable of deciding for themselves whether or not this is an important value. There have been changes made, and I'm sure there will continue to be changes. But for the time being, I'm comfortable with the single desk. I think it gives me value.

There are a lot of crops out there, and I have a limited amount of time for marketing. That's a poor excuse to someone with more time. But if I can put my energy into the things I have to make all the decisions on, it gives me some feeling of comfort. I could hire a broker or a market consultant to help me with this, but I already have help from the Wheat Board.

The Chair: On a point of clarification, Mr. Atamanenko, all four gentlemen are hands-on farmers.

Mr. Alex Atamanenko: Mr. Pike, the U.S. International Trade Commission in its 2001 investigation into CWB pricing has taken note of the Canadian value-added industry successes. It states that the CWB has been extremely successful in promoting investment in Canadian milling capacity. This is a quote: "Clearly, the Board views the rapid growth in processing as an important policy triumph." Mr. Easter touched on this with respect to wheat.

There seem to be successes in the barley and malt industry, where we seem to be doing better. Canada malts four times more barley per capita than the U.S., with tremendous growth in western Canada.

I'd like your comments on this. We hear the message that the board is impeding value-added, and yet I'm seeing information to the contrary. What is your take on this?

• (1310)

Mr. Gary Pike: The malt barley case is easily explained: we grow some of the best malting barley in the world, and the plants have come to the product. That's fairly evident from where they're located. We have lost a few plants to the U.S. in recent times—the last few malt plants have been built in Montana. We watched that happen in the past two years, and we have lost some capacity in that regard.

We've also watched Dakota growers on the pasta side try to access Canadian durum for their own use through the Wheat Board channels. We were unable to get that product moved into the appropriate channels. Whether you put it down to a political standoff or people differences, we're missing out on some niche markets like that in the value-added sector.

Mr. Alex Atamanenko: Dr. Loyns, I have something to ask you. Then, if we have time, perhaps I could get a comment from the other gentlemen.

You have a crystal ball and you gaze into the future. It's no secret that when we open up the marketplace and the small entrepreneur tries to compete with the large corporations, somebody is going to get hammered. Do you see a negative effect on the average family farm in Canada? Do you see the effect on the communities, the railway rates, the Port of Churchill? Have you thought about this? Do you think it's exaggerated? Do you think we'll pull through and that farmers will continue to produce? The global stage is directing our policy. What effect do you foresee on rural Canada?

Maybe if we have some time, I'll ask each person to respond.

The Chair: You're out of time.

Gentlemen, final points.

Dr. Al Loyns: Yes, I've thought about it. There are some traps, but there is much more opportunity for development, however you define family farms. I expect I'd define them a little bit different from you, as an economist. With the right kind of deregulation, we have many opportunities out there. As a farmer and an economist, I have long been promoting voluntary use of this organization or a new generation co-op. I think the results would be positive in most of the areas you named.

However we go about it, we need to pick up on Mr. Easter's report from last year and get some genuine competition into the system. I'd like to have that go on the record.

The Chair: Thank you, Mr. Atamanenko. We're out of time.

There has been a lot of discussion by some of the witnesses that somehow the ten elected directors are the panacea. They can look after farmers' interests, and so on.

Are they not still constrained by the Canadian Wheat Board Act? I find that very limiting. Just a final comment, gentlemen.

Mr. Jim Smolick: Yes, definitely they are. I think Dr. Loyns described it. They are bound to the Canadian Wheat Board. They are not bound to the farmer.

The Chair: Thank you.

Mr. Thibault had a point of order that he had notified me of before Mr. Breitzkreuz.

Mr. Thibault.

Hon. Robert Thibault: Thank you, Mr. Chair. I recognize we are out of time, but I am not asking for an answer from the panel at this point.

I want to thank them all for excellent presentations. However, I wonder if they could, if possible, answer one question in writing to the committee.

In their presentation, they pointed out the question of spot prices and futures prices, and we've even been talking about this "once in a decade" opportunity that is being missed.

I wonder about the impact on those prices of all this additional supply pressure. As Mr. Carlson mentioned, very few people hit the top. If we didn't have the system in place now, would those prices be down, and would that perceived advantage be reduced?

The Chair: Do you gentlemen understand Mr. Thibault's question? If you could give us a written response....

Mr. Breitzkreuz, a point of order.

Mr. Garry Breitzkreuz: I can't believe that mine are along the same lines. I have three questions I would like to lay on the table and then I would like a written response.

My first question is this. I have a choice as a farmer as to whether I deal with co-ops in my area or deal with private business. It hasn't destroyed the co-op. Why is this different?

The second question is this. Canadian Wheat Board supporters have told me if we allow more freedom to export, the border will close. It hasn't closed to canola and oats. Can you comment why this would be a different situation?

The third question is this. Visual kernel distinguishability has been supported very strongly by the Wheat Board. It has cost farmers a lot. Can you give us an accurate estimate of how much this has cost? The Wheat Board has strongly supported this method of grading. It is very archaic, and we are at a disadvantage in Saskatchewan because of frost damage and that kind of thing. So I would like comments on that and how that has affected a farmer's bottom line.

Thank you very much, Mr. Chair.

● (1315)

The Chair: Thank you, Mr. Breitzkreuz.

Did everybody get those points down?

Mr. Carlson wants some clarification on Mr. Thibault's point. He wants you to reiterate.

Mr. Herb Carlson: I'm assuming the clerk will supply those questions.

The Chair: Yes. We'll go back to the record and get the actual wording of each one of those questions, send you a copy of them, and you can respond to us.

Let me thank you again, gentlemen, for your presentations today. They're very helpful. Our clerk will probably not include the slurs on economists, Dr. Loyns, since he is one, but your point is well taken.

Thank you so much, gentlemen. This meeting stands adjourned.

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