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Chair

Mr. Gerry Ritz

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•(0905)

[English]

The Chair (Mr. Gerry Ritz (Battlefords—Lloydminster, CPC)): Ladies and gentlemen, we'll call this meeting to order.

Before us this morning, for the first hour, we have the Canadian Wheat Board witnesses. Mr. Adrian Measner is the president; Ken Ritter is the chair of the board of directors; David Anderson was also requested by Mr. Steckle, I believe it was, to make a presentation and answer questions on the Wheat Board.

I understand, Ken, that you have a statement you want to give. Please go ahead with that.

Thank you.

Mr. Ken Ritter (Chair, Board of Directors, Canadian Wheat Board): Thank you, Mr. Chairman, and welcome.

For those of you who don't know it, the chairman of the committee is my MP. Hello, Mr. Ritz.

Mr. Chairman and agricultural committee members, my name is Ken Ritter. I'm a farmer from Kindersley, Saskatchewan, and it has been my pleasure to serve as a farmer-elected board member and chair of the CWB board since 1999. With me today is Adrian Measner, the chief executive officer of the CWB.

I wish to thank the committee for providing us with the opportunity to appear before it today. I know the committee has a lot on its plate, and it is reassuring to know that among the many concerns it must address, there is appreciation for the significant role that the CWB has to play in the future of the Canadian grain industry, particularly in western Canada.

In spite of the recent increase in commodity values, agriculture and grain production are in a state of crisis. Farmers are facing margins that stretch their reserves of equity, their resolve, and their ingenuity. Against this backdrop of economic hardship, what is the best marketing system that will serve farmers' needs in wheat and barley?

There was a time when I, like the Conservative Party of Canada, would have said it was the dual market; in other words, farmers could sell either through the CWB or directly into the private trade. Put in place a voluntary CWB, I would have said, because it will make the CWB more cost-efficient and it will give farmers more choice.

I would have said that eight years ago, but I wouldn't say that now.

I've changed my mind about the CWB's role as a single-desk seller for a variety of reasons. First of all, I've seen evidence of CWB sales bringing higher returns than our competitors. At each board of directors meeting, a binder is put at the director's disposal. In that binder, records of the sales that the CWB has made are placed side by side with those of our chief rivals. This is valuable information. It enables me and the other farmer-elected directors to ascertain that the single desk is indeed being used to add value for Prairie grain producers, but it is also information that is commercially sensitive, both in terms of our relationship with our valued customers and in terms of our many competitors. This is why the binder stays in the boardroom, and why we don't broadcast its contents. Let me state categorically that these records offer solid proof that the CWB is getting more for the grain it sells on behalf of Prairie farmers than other sellers are getting.

I don't know of many farmers who can afford to leave those dollars on the table, especially not in today's farming environment. As a farmer, this is my bottom line. I want to know if I'm getting more because of the CWB, or if it's working against me. I have seen the CWB earn significant premiums for me and the other wheat and barley farmers on the Prairies, and I have understood that the major reason, apart from the courage and tenacity of the producers who grew the grain, is the single desk.

Secondly, I have seen evidence of another factor that is just as compelling as the first: consolidation in the grain industry. Everyone, from the grain companies to the railways to our competitors, is getting bigger and more powerful. In light of this, what should we do here in western Canada? Clearly, we have to ramp up and keep pace with them; otherwise, we will find ourselves shut out of markets, out-negotiated, and stuck with a uncompetitive cost structure.

What tool, other than the single desk, do we have at our disposal to get this done? There are none. Grain companies that at one time were farmer-owned and farmer-run have almost entirely disappeared from the Prairie landscape. Today's producers have more faith in the CWB to act in their interests than they do in multinational grain companies to do so.

Both of these advantages—the ability to attract premiums, and the strength to go toe to toe with the world-class heavyweights in the grain industry—are predicated on the single desk. The notion that you can have a dual market with a strong, effective CWB is quite simply misguided. It can't work. The second the CWB is voluntary, the single desk disappears, and with it the benefits I've just outlined. The true choice that farmers face is between the CWB and an open market. Given those choices, the preference of farmers is overwhelmingly to retain the CWB and the single desk.

Lastly, I've seen how we, as farmer-elected directors, can push for changes to the single-desk system, changes that accommodate farmer choice and farmer freedom. The producer payment options we put in place are major accomplishments that give the farmers who want it greater control over pricing their grain, while maintaining the advantages of pooling and single-desk selling for all the others.

I know the term “dual market” means different things to different people. I believe it arose from the days when the CWB was government-controlled, secretive, and lacked both accountability and choice. But those days are gone. Grain producers can now have both market power and greater control over their own marketing choices. However, the CWB and farmers cannot have market power without a single desk that in turn allows them to offer these exciting new choices. These kinds of changes take time. They take a lot of innovation and education, but they bring with them the best of both worlds: the opportunity for an open market and the risk management and premiums the CWB has always provided.

The alternative is not a dual market. It is an open market where the CWB would be rendered ineffective, and producer choices would be to sell to a handful of multinational grain companies who would then effectively control marketing of all grain.

All this is not to say we are complacent at the CWB. As I stated, we have undertaken many changes to make our organization more efficient, more responsive, and more flexible for farmers. We have a business strategy now for even greater and more dramatic changes within the existing framework to further enhance returns to farmers and to place the CWB completely under their control.

I am fully aware the Conservative Party of Canada has pledged to make marketing voluntary through the CWB, and I fully appreciate that the government now feels obliged to deliver on its election promises. But on behalf of the many farmers in western Canada who, like myself, have seen clear-cut evidence of a need for a single-desk approach to marketing wheat and barley, I call upon the government to recognize that this issue is one where farmers should have the final say. It's our industry, it's our money, and it's our future. It should be our decision. If there are to be significant structural changes to how they market their wheat and barley, those changes should be put to farmers in a plebiscite. This is an opinion held by the vast majority of prairie grain producers. It is therefore the CWB's position as well, and clearly the requirement outlined in the CWB Act.

Thank you.

• (0910)

The Chair: Thank you, Ken.

Mr. Measner, anything to add at this point? Nothing.

Mr. Anderson, an opening statement at all?

Mr. David Anderson (Parliamentary Secretary (for the Canadian Wheat Board) to the Minister of Agriculture and Agri-Food and Minister for the Canadian Wheat Board): Just a couple of observations.

I'm a farmer as well, like Ken. I'm from Frontier, Saskatchewan.

The Canadian Wheat Board issue is well known in western Canada and it was actually a major issue in the election. We ran on the platform to allow farmers to participate in a voluntary Canadian Wheat Board and were elected in virtually every rural riding across the west. I think we only missed one or two of them in all of western Canada, in the area where the Wheat Board operates. Farmers have told us consistently that they want to be able to make their decisions, and as Ken said, they want choice. They tell us they want the individual choice to be able to make their own business decisions, and we agree with them on that.

The Wheat Board did a survey fairly recently, and last year, I think by mistake probably, they called me at home, and I had the opportunity to go through the survey. It was a survey that in my opinion would lead to some very pro-Wheat Board answers. We had people calling us this year while the survey was being conducted, saying they were frustrated with the survey because they didn't feel they could do anything but answer yes, they support the board.

In spite of that, we got some very interesting results. Fifty-four percent of the farmers who were surveyed want either dual marketing or independence from the single desk. Sixty-five percent of barley farmers want to have an open or dual market in western Canada. Only 20% felt the Wheat Board did a good job of marketing barley, 30% malt barley, 30% durum, and about 50% wheat. So it wasn't exactly a ringing endorsement of the present system. Eighty-four percent supported having more companies compete and said that would increase the value of the grain. Fifty percent did not want their grain pooled. The pooling system has been part of the Wheat Board structure for a long time, but half the farmers would like freedom from that, and 40% believe private companies could get more for our grain than the board gets, and that was higher than the percentage that disagreed with that statement. As I said, 65% of barley growers wanted a dual or open market. Sixty-nine percent thought the board should have more competition.

So there is tremendous support out there for changes to the system. To begin the process, we really feel farmers should have the opportunity to make their own business decisions, and at least to begin to be able to process their own grain. Mr. Ritz, as the chairman, has introduced a private member's bill that will allow that to take place, and we think that's a good beginning.

To reiterate, we believe farmers should be free to make their own business choices individually. We also believe the board can survive and thrive. As we bring that about, we have a couple of examples of voluntary or semi-voluntary wheat boards. One of them is in Ontario and obviously deals with less volume than the Canadian Wheat Board, but the other one is the Australian Wheat Board, which has been able to survive and has a limited monopoly.

I'm sure there will be some questions about the similarity between supply management and the Canadian Wheat Board. I'd just like to point out what I see as the differences there. With supply management you've got a voluntary national system. People can buy into it. They have the choice of participating in it or not. It's supported by the vast majority, if not the total number of producers who are involved in it.

On the other hand, the Canadian Wheat Board is a regional government agency. It's involuntary. If you grow wheat in our part of the world, you have no choice of whether you are involved in it or not, and 50% plus of farmers want a change and would like out of the single desk.

So we think we're representing producers in western Canada by taking the position that we have taken, and I look forward to questions.

The Chair: Thank you, Mr. Anderson.

Also on our witness list for today we have Jim Venn, from FarmPure Inc. Is Jim here? Would you move up to the table, Jim? We actually even have a name tag for you, sir. There you are.

Thank you, Mr. Venn. Do you have an opening statement?

• (0915)

Mr. Jim Venn (Advisor, Farm Pure Inc.): Yes, I do.

The Chair: Thank you. Please proceed.

Mr. Jim Venn: Thank you.

I'd like to thank the honourable members and the chair for the opportunity to make a submission here today.

I'm here by way of invitation to present recommendations that would allow western Canadian producers to make deliveries of their own grain to farmer-owned processing facilities where they hold a share, process the grain to finished product for sale, and be exempt from the current legislation that forces them to market through the CWB. This would include grain for testing and research purposes, as well as for processing.

I've been involved in agricultural processing for several years, having been a vice-president, then president, CEO, and director of Dominion Malting, where I worked for over 15 years. I am a strong supporter of Canadian processing, and in that role I worked hard to establish new processing capacity in Canada. Unfortunately for Canada, that capacity was developed south of the border. I stayed working in Canada and have consulted, primarily for the brewing and malting industry, over the last three years.

I was a member of the Senior Grain Transportation Committee, was on the board of the Brewing and Malting Barley Research Institute, and served on several ad hoc committees, including the committee that developed the current CWB contracting system. I supported the international marketing of Canadian malt and was involved in making the first ever sale of malt from Canada to Chile.

I'm currently working with the FarmPure family of companies, which is entirely owned by Canadian farmers in western Canada. One entity of the FarmPure family is FarmPure Beverages. One of their key objectives is to establish new specialty malting capacity in Canada. As such, this submission will focus on barley. The same points, however, could be made for wheat processing.

A major consideration in determining the location for this project is the system under which this processing facility will procure its raw material. How much ownership will it have over the development of new special varieties? What environment will it operate in during critical development stages: will it be private, public, or confidential? Will the new entity have control over its commercial activities as it moves forward, and will it be able to implement its operational goals? Will that environment change after capital investment, and if so, by what means? These questions create uncertainty, which is not a desirable component of any business plan.

Specifically, the farmers involved wish to create a value chain that moves from seed genetics, through product research, on to the brewer who will be the end user, on an identity-preservation basis. At each step, there will be additional value created. The products will be specialized, as characterized by the very name of the sector: specialty malts.

The lot sizes to be shipped will be small and made to order. This will not be an entity that produces large volumes of generic product for large-scale global brewers. It will not utilize large, multiple-railcar moves for grain delivery. Further, this entity, and others like it, will not have the resources to enter into direct competition with large multinational trading companies.

FarmPure's production will be aimed primarily at smaller volume supply. For that matter, small microbrewers are expected to make up the lion's share of its customer database.

Further, and very importantly, this is new business. It is incremental to the existing sales of malt and malt barley. The raw barley itself will in many cases be differentiated at the farm production level. It may be that several different types of barley will be sourced, depending on successful research initiatives.

FarmPure's own intake will likely be composed of several different types of barley differentiated by brewer requirements for specialty products. This project will have little if any impact on existing sales. The value of the barley purchased will primarily be determined at the point of sale to an end user, not when it comes off the field.

To put things in perspective, we can consider that this facility might procure 10,000 metric tonnes of specialized barley. The current amount of generic malt barley purchased annually is about 2.5 million metric tonnes, depending on the year. The total production of Canadian barley might be in the order of 12 million metric tonnes.

Not only does this initiative and others like it not fit into the pooling, generic matrix, it is too small to impact the commercial operations or the return to individual growers who choose to operate under the existing jurisdiction. They are distinct, mutually exclusive markets.

We leave the debate on market choice to another forum. This initiative does not belong inside that framework.

• (0920)

Note also that the current supply of specialty malts for Canadian brewing operations comes primarily from outside Canada. So western Canadian farmers should have the option to supply their own facilities because they will not compete with the existing pool of grain. The type of production they are looking for needs to be managed. The identity needs to be preserved. The production of product will be technically varied according to the end-user's needs. It is not a commodity-oriented market; it is an ideal situation for vertical integration.

The nature of this initiative is one of technical development and enhancement, and innovation through research and development. That activity must take place in an environment of confidentiality for many reasons; that is a commercial reality. In order for this to occur, there has to be a provision for commercial production at the pilot stage of development where there is limited general knowledge of related activities. There are many good reasons for this, not all of which are commercially related. Allowing this information into the marketplace can prevent an otherwise viable product from making it. Information needs to be communicated to potential partners, customers, suppliers, and plant breeders in a timely fashion.

Once feedback is acquired, a decision is made on how to proceed to the next step. It is a measured and managed process that must be carefully organized. Third party involvement and intervention can be difficult to deal with, so having product for research, commercial level process testing, and beyond needs to be allowed without third party involvement.

As a supplement to this submission, I will leave the committee with a detailed discussion paper for their review, at its discretion.

In closing, FarmPure strongly recommends that the delivery of farmers' grain to their own production facility be legalized and allowed, without requiring CWB involvement. This recommendation is specifically in respect of grains currently under the jurisdiction of the Canadian Wheat Board and produced by western farmers. This change is recommended in order to facilitate and encourage the establishment of new and incremental specialty processing in the prairies.

I offer my thanks to the honourable members, on behalf of FarmPure Inc., for the opportunity to make this submission.

Thank you.

The Chair: Thank you, Mr. Venn.

We'll now move to our questioning round, starting with Mr. Easter.

Is it okay with the committee if we limit this to five minutes to get more interventions in? We usually go with a seven-minute opening round. Is five okay?

Some hon. members: Agreed.

The Chair: All right. We'll have a five-minute round.

I know Mr. Easter would like 17, so he's going to take everybody else's on that side.

Okay, Mr. Easter, go ahead for five minutes, please.

Hon. Wayne Easter (Malpeque, Lib.): Where do I begin? It's not surprising that if there's anything that the multinational grain trade wants to get rid of it is the Canadian Wheat Board and its single-desk selling, because there's no question in my mind that it does give farmers market power. So I would ask Ken, if he could, to outline any benchmark studies that the Canadian Wheat Board has done that would show what the difference is between single-desk and open market selling.

I also want to get in now, while Ken's thinking about that, a question to Mr. Anderson. The government is certainly trying to do anything it can to avoid a plebiscite among producers. Did you talk about any issue during the election other than the Canadian Wheat Board? I mean, gun control, I expect, wasn't a factor. This was a general election, and for the government to assume from that, just because it was part of their platform, that producers should now not have a say in the Canadian Wheat Board goes against, in my view, the essence of democracy.

Opponents of the Canadian Wheat Board are excellent at wordsmithing, I will say that.

Can Mr. Anderson answer this? In your dual-marketing proposal, you've tried to leave the impression that you can have dual marketing and still have single-desk selling. How do you explain that? It's the fact of the matter that there is no choice for those who want single-desk selling when you go to a dual market, because there no longer is single-desk selling as a country.

Mr. Ken Ritter: Mr. Chair, I'll just begin here briefly and try to preface this, and then my colleague Adrian will give you the specifics on the studies.

Members of the committee, I want you to think of a number of things when you look at the Canadian Wheat Board. First and foremost, western Canada is very landlocked. We're the most landlocked major grain exporter in the world, and we are also in a climatic zone that is harsh to extremely difficult. And yet as an industry, even though prices are very low, we've had a lot of success in this country. We export 20 million tonnes or more of grain every year from this region of this country. We execute the sales. This is done by the Wheat Board, by elevator companies, and by railways. We satisfy customer needs from around the world.

So when you look at the holistic approach, has this been successful? Yes, I think so. And we should look very closely then at what we are doing to ensure that we do not disrupt this very successful industry.

Adrian will now give you the specifics, as you asked for them.

• (0925)

Mr. Adrian Measner (President, Canadian Wheat Board): Just to follow up on that, there have been a number of independent studies done over the years that have looked at single-desk selling versus the competition, and comparing prices in those two environments. The first one was by Kraft, Tyrchniewicz, and Furtan, who are university professors from each of the western or prairie universities. That study was done in the early nineties. Their numbers range from \$10 to more than \$20, depending on the circumstances, and so forth.

Richard Gray did a study more recently, looking at the wheat side, and had a lot of broad consultations. Richard Gray is a University of Saskatchewan professor. His numbers came out between \$10 and \$15 a tonne for the benefit of the single desk over an open-market scenario.

Schmitz, from the University of California, has done a couple of studies on the barley side. Again, those numbers vary anywhere from \$10 to \$25, again depending on the market dynamics and what they're looking at.

Those are three public, independent studies that have been done.

The Chair: Mr. Anderson, following up the second half of Mr. Easter's question.

Mr. David Anderson: Thank you, Mr. Chair,

I actually think there was a SPARK study done as well, showing a \$10 discount on barley. That might be something you'd like to take a look at as well.

In terms of Mr. Easter's remarks, probably one of the reasons we did as well as we did in western Canada is that people out there

expect us to keep our promises. I know that's foreign to some people, but we ran on a platform, and we have a number of other priorities that we've kept to during this session. As people are coming to see, we are keeping our campaign promises and priorities, and this was another one of our campaign commitments. So I think you can expect that we would continue to move on it.

In terms of the changes we want, we want to bring farmers choice, and in that choice, the Wheat Board would be one of the options they would have. They certainly have the option of going to the Wheat Board. Hopefully, we can give them some options of doing something with their own grain, which is the point of Mr. Ritz's bill. And we give them the option of dealing with one of the grain companies, if they want to do that, which they'd be free to do.

So that's the intention of what our policy is. Hopefully, we can carry through on that.

Hon. Wayne Easter: Will you admit today that if you're going with the choice of the dual market, the choice no longer exists for single-desk selling in the country? That choice will be gone, because you can't have a single desk in a dual market.

Mr. David Anderson: Well, you don't have a choice for a single desk where we are right now; you have an involuntary system where people have to go through the system.

I don't know if you're misunderstanding this, but I've heard you say before that we can't have dual marketing and a single desk. The reality is that when you have dual marketing, you have more than one option; that's what the definition is.

Hon. Wayne Easter: You're avoiding the question. You just don't want to admit, Dave, that you don't have single-desk selling.

Mr. David Anderson: When you have a single desk, you have one option.

Hon. Wayne Easter: Those are the facts, and that's the reality.

Mr. David Anderson: Can I comment? When you have a single desk, you have one choice. When you have dual marketing, you have two or three choices. So by definition the two things are different.

Hon. Wayne Easter: Thank you.

And I will make the point again that you're really denying single-desk selling, and I think that's admittedly so.

I'll ask Mr. Anderson, first of all, are you are going to allow a plebiscite so that producers can make this decision?

But Ken, in the brief they'll be presenting later today, the grain growers talk about the Canadian and United States systems. They maintain that there are higher farm gate returns in the United States, and because of that they basically allege that the Canadian Wheat Board system doesn't work, from their perspective. I disagree with that, but can you explain your argument on the other side of that?

Mr. Ken Ritter: I'm sorry, can you repeat that question, Wayne? I guess I should put my earpiece in.

• (0930)

Hon. Wayne Easter: I'll just read the paragraph that's in the grain growers' brief and you can respond.

Bear in mind too that the United States sells more wheat into world markets than does Canada. Grain sellers in the U.S. and the CWB face the same world market. Why is it then that the U.S. marketing system is able to provide its farmers with higher farmgate returns, when it does not have the "advantage" of single-desk selling? In our view, proponents of the CWB monopoly have never satisfactorily answered that question.

Can you answer it?

Mr. Ken Ritter: I disagree with the premise of the question. First of all, the U.S. does not provide their farmers with higher returns; they have numerous subsidy programs, including loan rate programs. They simply don't do that.

As a matter of fact, if you are a farmer in western Canada now, we have an option, the daily price contract, where if you as a farmer think that's accurate, you can access that daily price contract and get exactly what the U.S. farmer is getting. So through the single desk, we're able to provide the same opportunities you would get in the U.S.

The Chair: Thank you, Mr. Easter.

We'll move to Mr. Bellavance. Seven minutes, please.

[Translation]

Mr. André Bellavance (Richmond—Arthabaska, BQ): Thank you, sirs, for your presentations.

As you know, Quebec is home to a number of collective marketing organizations for, among other things, milk, pork and beef. There is one such organization in my riding of Bois-Francs—L'Érable and the surrounding region that markets maple syrup. Two years ago, the Quebec federation of cash crop growers even moved to establish a wheat marketing board in Quebec. However, it does not operate in the same way as the Canadian Wheat Board. The federation does not own the crops. That's the major difference between the Quebec board, and the federal organization.

However, over the years, the Quebec experience has revealed that collective marketing is not an efficient system. Voluntary collective marketing pilot projects were launched. This seems to be the direction favoured by the Conservative government in the case of the Canadian Wheat Board.

I'm interested in hearing your views, Mr. Ritter, on the Conservative government's proposal to set up a voluntary collective marketing organization. Judging from past experience, this approach has not proven successful. Cérégrain, Pomexpan and Pomexpert are just a few examples that come to mind. These collective organizations did not operate efficiently.

[English]

Mr. Ken Ritter: Thank you for the question.

Yes, we've been closely following the developments in Quebec, and we have noted, with considerable interest, that farmers in Quebec have opted for a single-desk seller for wheat. Farmers in

Ontario have opted otherwise, but it was their choice. We're saying that it should be our choice in western Canada as well.

On the marketing effectiveness, I think it's very clear that when you have a very small, select group of huge companies buying grain, obviously they're going to try their best to pit the sellers against each other and thereby lower the prices. Farmers need the significant marketing power to match that in order for it to be an effective and reasonable contract. Actually, in contract law they have that kind of a principle.

That's really all we're doing. We're empowering farmers so they can engage in a marketplace on a level playing field with the buyers, who are generally very large players. We are assessing that process, seeing if it makes sense, and adding value to the farmers' bottom line.

Adrian, do you have anything further to add?

Mr. Adrian Measner: Our view on creating an open market is that the Canadian Wheat Board would not exist in that environment. As we have this debate and that discussion, I think that's very important. It's a very focused, concentrated marketplace. There are five or six companies that actually dominate that marketplace. They have ownership in Canada. They have ownership around the world—the facilities, processing plants, and so forth. It would virtually be impossible to compete in that marketplace if you were to stick a player in there, such as the Canadian Wheat Board, without the single desk.

It's not just the Canadian Wheat Board, it's any other Canadian company, any other U.S. company, any other European country. It's too concentrated and focused an environment, with some very large companies dominating that environment. We feel very strongly that this organization would not exist without the single desk.

• (0935)

[Translation]

Mr. André Bellavance: Mr. Anderson, did you give any consideration at all to what transpired in Quebec in the case of these collective marketing organizations? Since this approach was deemed to be inefficient, a decision was made not to go this route in future. Has the government considered Quebec's experience at all? If not, does it intend to review actions taken elsewhere before making a decision with respect to the Canadian Wheat Board?

[English]

Mr. David Anderson: Mr. Gourde would obviously be more familiar with this situation than I am. We've talked about it a little. Again, we want to make the point that we want to give western Canadian farmers the same opportunity that the farmers in other parts of this country have had.

We think Mr. Ritz's bill is a great initiative in that, but farmers are telling us they want to go further. They want to have the opportunity to be able to market their own grain; they want to be able to make those choices themselves. We've been listening to that. We think the board can continue to function in that environment. The Ontario wheat board has done well, and it has received increased support over the last couple of years. The Australian Wheat Board is another model where they don't have a domestic monopoly; they almost have an export monopoly. They've been able to very well, as well.

Mr. Ken Ritter: I would like to briefly respond on the issue of Mr. Ritz's bill and the concept of value added.

You've seen from our survey that 85% of the farmers believe that value-added processing is important and that the CWB should work with producers to ensure that this happens. It's right in our survey.

The second point I want to make is that as an organization we feel that this is a farmer's right, through the elected director structure, to ensure that we find the right place for this to all function. Secondly, this is also not a turf war. We are going to be talking to Mr. Ritz about his bill and will look at areas where perhaps there need to be some refinements and some common sense in certain areas. I point specifically to issues around trade, so that we don't set up any kind of structure that would affect trade, and also that all processors in the country are at a reasonably level playing field.

We're looking forward to this kind of common-sense discussion with Mr. Ritz and the bill he has put before the House.

[*Translation*]

Mr. André Bellavance: Earlier, Mr. Anderson, you stated that producers wanted freedom of choice. I'd like to come back to a question raised earlier by Mr. Easter. In fact, he has even tabled a motion to that effect in committee. I think the Canadian Wheat Board would agree to the holding of a referendum or plebiscite to decide on a course of action.

As the Minister responsible for the Canadian Wheat Board, and as a member of this government, do you think this is the best way to find out what producers really want? Are you in favour of holding this kind of referendum?

While we're on the subject of producers, I'd like some explanations. Quite understandably, opinion is divided. Perhaps if a referendum or plebiscite were held, the government would have a clear answer.

[*English*]

The Chair: Thank you, Mr. Bellavance.

Mr. Anderson, a short reply.

Mr. David Anderson: I'm not the person who is in charge of the Canadian Wheat Board in the government, but I have some responsibilities for that. The minister will be making the decisions, but it's been my opinion all along that farmers individually should be free to make their own choices as to whether they want to participate in the grain marketing system we have. I have said to people that the difference between the board's position and our position is it depends on where you put the apostrophe in farmers' or farmer's choice.

The Chair: Thank you, Mr. Bellavance.

As the chair, following up on Mr. Ritter's point that the Wheat Board goes head to head with the five major multinationals on a daily basis for market share and you need the single desk in order to do that, how then do the canola growers maintain their profitability going head to head with those same five major groups without the single desk? How do they do it?

Mr. Adrian Measner: It's very similar. A lot of that canola is marketed by those large multinationals, so they are in that environment and those multinationals are doing a lot of that

marketing. The canola market, the bulk of it, goes to one market, Japan, and there are relationships there. There are only three or four other markets, and those markets are basically dominated by the larger companies.

So they are in that environment and they're doing it through the multinationals. I guess that without the Wheat Board, the grain in Canada, the wheat and the durum and the barley, would also be marketed through the multinationals. That would be the change.

• (0940)

The Chair: Mr. Anderson, do you have a point on that?

Mr. David Anderson: Yes, one point on that. Half the grain right now is marketed by those companies. They have to go through the Wheat Board, but they do the selling. They are the accredited exporters for the Canadian Wheat Board.

The Chair: Thank you.

Mr. Menzies, seven minutes.

Mr. Ted Menzies (MacLeod, CPC): Thank you.

I want to correct a bit of misinformation about the term "single-desk seller" that's being used by some of the questioners. In actuality the Canadian Wheat Board is a single-desk buyer. When it goes into the international market, it has no more power than anybody else; in fact, it's inhibited in that the rest of the world knows what it has for sale, and there are lots of other options out there

The fact that it's a single-desk buyer limits my opportunities as a farmer. If I decide to grow wheat or barley for human consumption, I have one place to sell. If we had presented that option to the auto industry when they were moving into this country, they would never have entered this country. They would not build automobiles if there was only one buyer for their product. That's a plain and simple fact. Why it can't be transposed and why it can't be understood that it's ineffective in agriculture, I don't know.

Your binders—Mr. Ritter, I find your binders very fascinating. The binders that you are presented with have sensitive information. Your competitors that you're being compared to are constrained by the fact that they're dealing with the Canadian Wheat Board; those sales are contingent on selling board grain, so their sales—and I'm assuming these are net, or they're absolutely worthless numbers—have been absolutely constrained. I look at that with a great deal of questioning in my mind, because what I'm hearing from my farmers, from my neighbours, is that their bins are full. To me, that's selective selling.

You can easily keep your numbers up if you don't sell grain—if you sell only into a high-end market. Your mandate, Mr. Ritter and Mr. Measner, is to market those grains. I'm not saying I agree with it, but that's your mandate as of today—to market wheat and barley for human consumption. Why are my farmers' bins full of wheat? If you're not in the market and selling, which is what your mandate is, does that not skew the numbers you're talking about in those binders?

Mr. Ken Ritter: Thank you, Mr. Menzies.

To clarify a few of the facts, I'll have our CEO speak to where we are in terms of the marketing of last year's crop.

Mr. Adrian Measner: I'm going to start a bit earlier, Mr. Chairman. I want to comment on the seller-buyer issue. We are a single-desk seller, not a buyer; I disagree with that statement. Basically, we are competing in a very focused international environment.

On the wheat side, we're a small player. We're around 15% of that international wheat market, so our focus is trying to achieve premiums for the wheat we sell versus the competition. Those are the values that Ken sees on a regular basis, as all board members see when they come in to the regular board meetings. We look at what we've sold at versus what the competition has, and it's those premiums that we focus on. They're not available in all markets, but they are available in some markets, and that's the strength of the single desk.

When you go to a commodity like durum, we're 50% of the international market. We are the prominent seller on that side, and we can influence that overall price level; if we're very aggressive out there, we can drive those durum values down to feed levels. We take a very disciplined approach on that, the same way we do on the malting barley side, on the export side.

When we look at our marketing plan—and this comes to the grain in the bins—on the wheat side, we have taken 90% of the wheat that farmers have offered to us as of today. We are making a decision on the series C contract, the final 10%, later this week. We haven't made that decision at this point in time.

If there's a lot of wheat in the bins and it needs to be delivered—there's 50% space in the system right now—there are lots of opportunities. I can't see that there are burdensome wheat supplies out there, because we have taken the bulk of it and ultimately we'll probably take almost all of it.

On the durum side, we've taken a more disciplined approach because we don't want to drive those values down to feed. It's difficult enough on the farm, as you know, and it doesn't make a lot of sense to us to aggressively push those values down from an international perspective. We have discussed this with the board of directors, with the farmers who were elected to be on that board. They have agreed with that strategy. Even with that disciplined selling this year, we intend to be very close to a record year on the durum side; we're going to be very close to 4.2 or 4.3 million tonnes.

It's a very good year on durum, but there is still additional durum. Farmers have grown a lot of durum recently, and we know that, but our focus has been making sure we get a reasonable return for those farmers, and not flooding the market with it.

• (0945)

Mr. Ken Ritter: Just to add to that, at all times, farmers who deliver grain through the CWB are the beneficial owners of that grain. The CWB doesn't keep any retained earnings or anything like that. So the benefit for the sale of the grain clearly goes to farmers on all occasions, which in my judgment makes us a seller and not a buyer.

Mr. Ted Menzies: I'd like a quick answer from all of you, if I could. There has been a lot of talk around this table about a plebiscite. Like David, I'm not instructing or giving any direction on how this will go forward.

If and when there is a plebiscite, we would have to have it based on the volume of production, not on the number of permit books, like we did last time, because it absolutely gives you a skewed result. For example, on my farm, I had one permit book when I was farming 6,000 acres. One person who owns a quarter section has a permit book. So my vote was negated by someone who owned a quarter section and rented it out.

So I would like your comments. If and when there is a plebiscite, I would like your assurance that you see the value in that vote being weighted by production, by delivery to the board.

Mr. Ken Ritter: There are a couple of things I'd like to say before I get to the answer.

First of all, there was an election review commission to look at how CWB directors are elected, and it goes to the word "producer". Producer is defined in the act, as it stands now, and that's the only way you can get a vote.

Secondly, as I understand the legislation, the Minister of Agriculture is the one who calls for the vote. Obviously one of the debates will be who is eligible. Under the present act, the same people are eligible, as I understand it, as those who can vote in CWB elections. If there is another eligibility criterion that is considered, it would have to involve a change in legislation. That's where we're at right now.

The Chair: Thank you.

Does anyone else wish to comment on that issue?

Mr. Anderson.

Mr. David Anderson: I guess Ted understands this as well as anybody, but we've talked about this with the board as well. There have been problems in the past elections because of those voters lists and who's involved with them. There's an attempt through that electoral review, which is going through the government now, to deal with that situation. But I think Ken is right, that if we go to a producer vote, we're back to that same list that we've had the problems with in the past because of the way the legislation was written when it was passed.

The Chair: Thank you, Mr. Menzies.

We'll move to Mr. Atamanenko, for seven minutes, please.

Mr. Alex Atamanenko (British Columbia Southern Interior, NDP): Thank you very much, gentlemen, for being here.

To follow up on the plebiscite again, the way it exists now the board is made up of a board of directors who represent different regions. My question to Mr. Anderson and to you gentlemen is, is this a logical way of finding out in what direction the board should go?

Secondly, in regard to a plebiscite, Mr. Anderson, would it be a commitment of this government to sit down with the stakeholders, with the farmers, if there were a plebiscite, to work out the eventual wording so it did in fact represent the needs of all the farmers?

Mr. David Anderson: In response to the second question, you may not have the history here, but we had a plebiscite previously and there was a huge issue over the question and a huge issue over the voters list. So all those issues would actually come into play in the event that anything like that took place. But as I said in the past, our opinion has been that individual farmers should be free to make their own marketing choices in western Canada.

Again, to that point, I think the survey shows there's strong support for that open market: 65% of barley growers want an open or dual market; 54% overall want that change. That's the board's survey. It looks to me like there are some pretty strong results there: 69% think the board should have competition; 60% think a dual market would work. So their own survey has shown there's strong support for our position.

• (0950)

Mr. Alex Atamanenko: Are you prepared, then, to have some kind of vote by members? Is that your position?

Mr. David Anderson: As I said, at this point, our position is that we believe western Canadian farmers should be able to make their individual choices about their own business decisions.

Mr. Ken Ritter: I have a couple of things.

First of all, in the event of a plebiscite we would, as an organization, want to ensure that the plebiscite was legitimate and perceived to be legitimate by farmers, because that's the only way it has value and makes sense. So we're fully in favour of that fundamental principle.

Secondly, the strongest number in our survey, which everybody seems to be referring to today, is when farmers were asked who should decide the future of the CWB, 75% of them said directly they should decide it and 13% indicated they should do it through the CWB election process. Only 8% said the federal government should make that decision. Clearly, 88% feel that the decision should be made by farmers, either through their own election or through a plebiscite.

Mr. Alex Atamanenko: My next question is one of choice, and maybe we'll look at a farmer, maybe Mr. Bezan, or somebody else who farms.

A lot of people are saying we need a choice, so we need to have a dual-marketing system. Yet it's my understanding that a choice currently exists within the structure of the CWB, specifically when we come to malting. In other words, a farmer right now, can he or can he not sell directly to a processor who's going to malt barley? That's my question.

Mr. Adrian Measner: He can deliver to a processor or sell to a processor, but he receives the CWB initial price and subsequent prices, or one of our fixed or basic program prices. So he doesn't actually do the transaction directly with the malt plant or with the mill, but he can deliver directly to the malt plant or to the mill. However, he does receive our prices for that grain.

Mr. Ken Ritter: But the mill can top up that price to whatever it wants. It has perfect freedom to do that.

Mr. Jim Venn: The price is based on export sales and domestic sales, so there's an arbitrage that's performed on the price. There are difficulties, depending on the type of product you're delivering into, say, a malt house. How is it stratified? How many different types of varieties are involved? What are the quality parameters around that? It's very difficult to set one premium, for example. In the Wheat Board environment, it's more attuned towards generic sales at one price, not quality parameters that are set for malting deliveries.

Mr. Alex Atamanenko: As it currently exists, there is a standard price, and a farmer can sell to a processor through the Wheat Board providing he gets the market price. Is that...?

You're saying no and you're saying yes. I don't understand. Could somebody clarify that for me, please?

Mr. Adrian Measner: I think we're saying the same thing: the farmer can sell to a processing plant, but it flows through the Canadian Wheat Board into the pool account. So he will get the CWB initial price for that delivery, then the subsequent payments would come to the farmer. So it's not a direct sale to the malt plant or to the processing facility. It goes through the Wheat Board, but he can deliver it directly.

Mr. Alex Atamanenko: So what's the disadvantage to the farmer of that? Let's get down to the.... Mr. Anderson.

Mr. David Anderson: Maybe it would be easier to explain it in terms of feed barley and malt barley.

With feed barley I can go and sell to anybody, take whatever price I want and find my own market. I can sell it. The board also markets feed barley, so I can go to them as an option on my feed barley as well.

With malt barley, I have to go through the board, take their price on malt barley. I need to deal with them. I need to pay full freight.

On the feed barley side I can go make my own deal on the price, make my own deal on the freight. When I sell malt barley, I sell it at their price, I'm charged full freight on it, then the money goes into a pool and at the end of the year everybody who participates.... Well, I guess you've got two pools, but at the end of the year everybody gets the same price back, so that's how it works. But you have to go through the board to deal with that.

• (0955)

Mr. Alex Atamanenko: But you are getting top price for that, is that correct, when you do that through the board?

Mr. David Anderson: We get the price they sell it for. Whether it's top or bottom, it depends on who's doing the studies and surveys and has the discussion.

Mr. Alex Atamanenko: If you didn't have to go through them, what would be the advantage to you to do that?

Mr. David Anderson: There are a couple of potential advantages. One of them is that people can take advantage of projects, like Mr. Venn has suggested, so you can grow specialty niche market amounts of barley or other products. Then you can make your deal with those select maltsters, or with a bigger company, and you can grow your own premium product in very small lots.

Another opportunity would be for farmers to set up their own operations, if they wanted to, and be able to process their own grain. That's the point of Mr. Ritz's bill.

A third option is that you can go to the open market and see if you can find a price that you really like, and take it. So those people who believe we should have choice would like to have those options that we presently don't have.

Mr. Ken Ritter: Mr. Venn made a presentation here today; he described a unique kind of situation. At the board, we welcome Mr. Venn speaking to our management team and explaining his position. Our management team will then report back to the board of directors for discussion and decision. It's not an automatic yes or no at this table right now, that's for sure.

The Chair: Thank you, Mr. Atamanenko.

Mr. Steckle, five minutes, and it will be the final five.

Mr. Paul Steckle (Huron—Bruce, Lib.): There's probably much more I could say that would take more than five minutes, but I basically want to go back to this whole issue of choice.

I'm going to reference a number of issues. Coming from Ontario, we've had the Ontario Pork Producers Marketing Board. There was a time when people marketed hogs on Monday morning through Friday, and people on Friday usually got less money than the people who marketed on Monday. So they made a decision to pool the price.

So basically you make a choice when it's more convenient to sell your pigs, and you get the same price when you sell on Mondays as on Fridays. I think a long time ago farmers came to believe that choice was their right, and they made it a policy.

At one time, the beef producers accused the pork producers of being at the trough with government, continually asking for assistance. In the last four years there was an experience in the beef industry that has caused them to rethink their position, and they were also here asking for help.

When you hear the beef industry saying when might we consider an orderly marketing of beef, which for beef producers is a more friendly term for supply management in the beef industry.... Twenty, ten, or even five years ago, we would have thought it impossible that anybody would even talk about that.

You might be wondering where I'm going on this, but I'm telling you that sometimes we need big players to play with the big players. If we abandon.... I think the farmers have the ability to have a choice, but I don't believe that.

I've heard arguments here this morning, particularly from Mr. Anderson, that would compel me to believe that he or the Conservatives won the election in the west based on the fact that farmers are making their decision solely on whether they're going to have choice in marketing their grain products. I don't believe that; I

think there were other compelling reasons why they made that choice.

I would simply ask you how you rationalize the fact that this issue has been outstanding for so long. We've talked it since I came here 13 years ago. Yet we keep having from the farm community farmers being elected and electing their directors. Now that we have huge representation in the farm community, why is it that farmers keep electing the Wheat Board back again?

Then a final question to Mr. Venn: have you done any studies showing how much money you could have given farmers that was lost in the marketplace because they marketed their product to the Wheat Board?

Starting with you, Mr. Venn.

Mr. Jim Venn: I have not done a study per se. I've had lots of experience in terms of purchasing barley. I know how the malt barley industry works, with all due respect, because I was involved in it for 15 years.

The Wheat Board operates in differentiating markets, participates in differential selling, and according to my paper here today, there's an opportunity to sell to a premium market. I believe that's an incremental opportunity that could come to the benefit of producers in western Canada, and currently they're not able to do that. That's my point here today.

•(1000)

The Chair: Anyone else on following up on Mr. Steckle's question?

Mr. Anderson.

Mr. David Anderson: Thank you, Mr. Chair.

I agree with Mr. Steckle. He said farmers believe choice is their right, and we would say that as well.

We need opportunities in western Canada. I did a study in 2001 in which I had somebody take a look at the number of specialty crop plants in Saskatchewan. At that time, we had 127 specialty crop plants. We also looked at the number of flour mills and had 14. According to my figures, 12 of them were owned by multinational, foreign-owned companies.

With the speciality crops, we had the opportunity to do something. Farmers were doing it; they were setting up plants and trying to do some other things. They didn't have that opportunity with grains.

The industry and the times are changing. We're moving to things like the nutraceuticals, pharmaceuticals, specialized grains, and to things like Mr. Venn. We need the opportunity to be able to participate in that, and the present system does not allow it.

Mr. Ritter can say we'll talk to Mr. Venn, but there is no opportunity. The Wheat Board has not even been able to market organic grain. The farmers have had to market their grain, then do a buyback through the Wheat Board in order to market their own organic grain, because it hasn't been a big enough lot for them to do that.

There are going to be twenty other things coming down the road that we need to be able to have the opportunity to succeed with. We don't have the chance to do that unless the system changes, so that farmers in western Canada have the opportunity to involve themselves in these kinds of things and get the premiums Mr. Venn is talking about.

The Chair: Mr. Ritter, the final word.

Mr. Ken Ritter: Thank you, Mr. Chairman.

First and foremost, the CWB will be marketing organic grain, but I want to preface my views like this. I'm not an ideologue. I try to live in what the market realities are. Today the market realities are that if you're not a big fish you generally get smothered. Even some of the details that Mr. Anderson has outlined are already history. As a matter of fact, a lot of those small plants are congregating into big ones, and foreign ownership, and a whole lot of other things.

So the simple reality is you need to have an organization, in my judgment, that clearly has farmers' interests at the core of its essence, and that's what the CWB is. It tries to ensure that farmers get a fair shake in the world market for commodities we produce that are in huge surplus in this country. We're not even talking about a scenario similar to that in the U.S. The U.S. produces about twice as much wheat as it needs. We produce eight times as much as we need. We produce six times as much malting barley and fifteen times as much durum wheat as we need for pasta in this country. So we're a huge producer with respect to our population. Surely, one organization that stands up for farmers in a commercial sense is essential.

The Chair: Thank you, gentlemen, for your presentations here today.

Our first segment of this meeting has now come to a close and we will suspend for just a couple of minutes, so stay tuned while we change our witnesses at the end of the table.

Thank you.

•(1003) _____ (Pause) _____

•(1007)

The Chair: Ladies and gentlemen, if we could get everyone back to the table, we'll continue on with our second hour. Time always flies by and we never have enough.

With us for the second hour we have the Canadian Grain Commission and Chris Hamblin, no stranger to the committee. Welcome. You also have someone with you.

Mr. Harasym, welcome.

From the Western Grain Elevator Association, we have Wade Sobkowich, executive director, and John Heinbecker, chairman. Welcome, gentlemen.

From the Western Canadian Wheat Growers Association, we have Stephen Vandervalk, vice-president, and Blair Rutter, executive director. Welcome.

If each one has opening statements, we'll proceed with that. We'll start with Chris, if you would, please, and try to limit them to ten minutes or less. As you can see, our questioning time runs out very quickly, so if you would care to begin....

Ms. Christine Hamblin (Chief Commissioner, Canadian Grain Commission): Thank you, Chairman. It's indeed a pleasure to be here with you and with the standing committee members.

Just to give you a little background, Terry and I are two of the three commissioners at the Canadian Grain Commission. I'm from Manitoba and actually have a farm just south of Winnipeg with my husband. Terry is from Saskatchewan, and our third commissioner is Albert Schatzke, from Alberta. So the three commissioners represent the three prairie provinces.

Mr. Chairman, standing committee members, and honoured guests, it is certainly a pleasure to be here to provide you with some information about the Canadian Grain Commission and to answer some of your questions.

Today I'm going to focus on our mandate, some of our current activities and priorities, and also address some of the challenges that we are facing.

First of all, the Canadian Grain Commission administers the Canada Grain Act. The Canada Grain Act was established in 1912 by legislation and it is the act we have been following since that time. Our mandate as set out in the act is in the interest of producers to establish and maintain standards of quality for Canadian grain and regulate grain handling in Canada to ensure a dependable commodity for domestic and export markets.

The Canadian Grain Commission's responsibilities as a neutral third party in quality and quantity assurance for 21 different grains are very distinct from those of any marketing organization. Our mandate supports the Canadian oilseeds, cereal, and special crops sectors to compete in a rapidly changing international marketplace.

The Canada Grain Act has been modified on a number of occasions, but not significantly since the early 1970s. As many of you are aware, there is an independent and comprehensive review currently under way and the recommendations are to be presented to the Parliament this fall.

We look forward to working with both the minister and the government to ensure that the Canadian Grain Commission is well positioned to have a quality and quantity assurance system that works well for both producers and the industry.

The Canadian Grain Commission's top priority is the delivery of mandated services and regulatory responsibilities assigned to us under the Canada Grain Act. This includes quality assurance, quantity assurance, research, and producer protection. Quality assurance begins with the setting of standards for the inspection of grain. Our scientists and inspectors work very closely to develop standards that reflect the end use quality our customers have grown to expect from each grade. This consistency is important to customers and helps with the marketability of Canadian grain.

Quality and quantity assurance also includes the inspection and weighing of grain as it arrives at port and is subsequently loaded to vessels. Our research also includes finding better ways to evaluate grain quality. This enables us to move from subjective testing to more objective tests. Two examples that are currently under way right now are falling number to replace sprout count and chlorophyll to replace the green count in canola. Another very important function of the research that we're doing is the testing and monitoring for grain safety. The demand for these assurances has increased exponentially in the last few years.

The underlying principle of the Canada Grain Act is to ensure fair grain transactions. This is a very important aspect for producer protection. Two other aspects of producer protection include the licensing and security component and the allocation of producer cars.

I'll tell you a little bit more about the licensing enforcement and licensing and security component. Under the Canada Grain Act, any enterprise buying western grain and incurring a liability to producers must be licensed and post security with the Canadian Grain Commission. The security is intended to compensate producers should they deliver grain to an enterprise that is then unable or unwilling to pay the producer or to return the grain.

• (1010)

The past 15 years have been characterized by the emergence of many smaller grain dealers who went into business to market the increasing production of special crops. These companies tended to avoid licensing and security requirements, feeling that the demands involved affected their working capital position. The Canadian Grain Commission used moral suasion rather than the Canada Grain Act to encourage these enterprises to become licensed, but the results have been very mixed.

Work has been going on for some time to find better solutions, and recently work done by some of the provincial pulse organizations, including producer organizations and industry groups in western Canada, concluded that although the present system of security and licensing was not perfect, it was the best available and licensing and security requirements should be enforced.

Therefore, as of August 1 of this year any enterprise incurring liabilities to producers through the purchase of western grains will be required to be licensed and secured or exempted. The Grain Commission has diligently communicated all of the details of this initiative to industry and producers across the prairies.

The next initiative I would like to talk about is the wheat quality-assurance strategy. For many years, grain handlers and the Canadian Wheat Board have relied on kernel visual distinguishability, or KVD, as a cost-effective segregation and marketing tool for assuring quality of milling wheats. Steadily increasing demand for non-milling wheats destined for the feed and ethanol industries prompted the CGC to launch an extensive consultation in an attempt to find alternatives to processes that were in danger of becoming outdated.

As a result of several initiatives over the past few years, we have developed a three-part strategy. The first part is our variety ID research. We have allocated significant resources at the Grain Commission to continue research into variety identification. We are

making some great progress, but the testing continues to be very much a lab-based test. Although we are striving for a quick driveway test, we feel it will be some time before we can accomplish that kind of testing; therefore, we still need to look for other ways to segregate grain.

Our second point in the strategy is to continue monitoring for ineligible varieties in our shipments. We monitor rail cars and vessels to ensure that we maintain the integrity of our wheat shipments.

The third part is the development of a plan to establish a general-purpose wheat class for non-milling wheat. This would include varieties that would be suitable for feed, ethanol, or perhaps other industrial uses.

Our plan is to protect the KVD requirements on our Canadian western red spring and our Canadian western amber durum, as these are both very high-premium markets and make up about 85% of the current production in western Canada. We plan to increase the flexibility for breeders for the ethanol or feed, this general purpose class, by creating some flexibility using the kernel types of the minor classes, and we are hoping that we'll be able to announce more details on that in the very near future.

The next issue I thought I'd like to address with you is with regard to finances and service provision. Certainly we have had a number of challenges in this area. Our revenues have steadily declined over the last number of years. Part of this is a result of the shift in production. With the demise of the Crow subsidy, producers have looked for lower-volume, higher-value grains to produce in order to ship fewer tonnes for export. As a result, there has been an increase in special crops. But for the Canadian Grain Commission a lower volume means less revenue, because our revenue is based on the inspection and weighing on a per-tonne basis of product going into the ports and again as it's loaded onto vessels. Our revenues have declined because of grain volumes.

We have also had a decline in revenues or a problem with revenues as a result of our fees. Our fees on services have not risen since 1991, so we're operating under the fee schedule of the 1991 timeframe. So you can see why our revenues are declining. At the same time, our costs have continued to climb, largely because of inflation and because of the contract settlements we have with our staff.

• (1015)

This has meant a growing discrepancy between revenues and expenses, and the difference between these two has been accommodated by a series of interim appropriation dollars over the last number of years, the last two years being \$21 million for the 2005-06 year, and \$30 million for the 2006-07 year. A \$30-million appropriation, along with the revenues we'll generate, will give us a budget of about \$70 million. We feel this is a doable budget, but it's going to be very tough. We're going to be keeping a careful watch on our expenditures, but it is going to make things a little bit difficult.

We intend to do our very best to manage within these anticipated revenues. We have done some streamlining, we are focusing on our mandated services, and we are working with industry to best meet their needs. Obviously, it would be very nice if we could provide services on demand at all times, but this would require staffing to peak levels which would mean staff at other times would have nothing or very little to do. We do not feel this is reasonable, given the high cost of that type of staffing.

Instead, we have encouraged industry to work very closely with our managers to alert them to the need for services. With this, we anticipate having very minimal problems providing services. That doesn't say there won't be times when it will be difficult.

In conclusion, I would like to say there's no question the industry is changing. We are facing numerous challenges, both as the Canadian Grain Commission and as an industry as a whole. We are seeing quality is continuing to be very important, and likely more important now than it has ever been in the past. The Canadian Grain Commission's research and quality assurance forms the cornerstone of the Canada brand for Canadian grain. It protects the reputation of Canadian grain, it bolsters international competitiveness, and it assists producers in industry to better meet customer needs.

I thank you, Mr. Chairman, for the opportunity to present to you and to the standing committee members. It is a pleasure to share information with you, and we look forward to your questions.

• (1020)

The Chair: Thank you, Ms. Hamblin.

We'll move to the Western Grain Elevator Association. Wade.

Mr. Wade Sobkowich (Executive Director, Western Grain Elevator Association): Thank you, Mr. Chairman and members of the committee, for inviting the Western Grain Elevator Association to speak to you about issues of importance to our industry.

As you mentioned, I'm Wade Sobkowich, and I'm executive director of the WGEA. To my right is John Heinbecker. John is vice-president of Parrish and Heinbecker, a 100-year-old, family-owned and family-operated Canadian grain company. John is going to talk to you about issues important to the WGEA.

Mr. John Heinbecker (Chairman, Western Grain Elevator Association): Thanks, Wade.

As you may or may not know, the WGEA is an association of eight farmer-owned public and private grain businesses operating in Canada, which collectively handle in excess of 90% of western Canada's bulk grain exports. Our members own grain-handling facilities throughout the country and in the ports of Prince Rupert, Vancouver, and Thunder Bay.

There are three critical areas of policy that we would like to discuss today. The solutions we are proposing are fundamental to Canada's long-term success in the world grain trade. They are as follows: the future of wheat and barley marketing in western Canada and the dispute resolution with the Canadian Wheat Board; changes to the Canadian Grain Commission and the Canada Grain Act; and changes to the Canada Transportation Act.

On the future of wheat and barley marketing in western Canada, the role of the Canadian Wheat Board as it pertains to the marketing

of wheat and barley has been the subject of much discussion and debate over the past months. As companies with significant investment in the industry are keenly interested in the future of wheat and barley marketing in western Canada and are prepared to accommodate whatever future the government decides upon, we only ask that you attempt to minimize, as best as possible, any uncertainty, because the types of changes being discussed are significant, and long-term uncertainty can cause the industry to destabilize or stagnate.

The most important point we can emphasize here—and it's critical that we all understand it—is that the interests of the WGEA and farmers are not in conflict. Our overall objective is to make the industry more profitable. This includes farmers. There is a false notion that agricultural policies must take the approach that farmers and grain companies have naturally conflicting objectives, when in fact we cannot be profitable if the farmers are not profitable.

WGEA members currently market wheat, barley, canola, special crops, other grains and oilseeds to almost a hundred countries around the world. We would be fully prepared for the future if the Government of Canada decides to implement changes to the system.

Regardless of how the crop is marketed and sold, grain companies have a job to do, whether acting as a direct agent of the Canadian Wheat Board, or in direct partnership with farmers in meeting end-use customers' needs. Grain companies are looking forward to handling as much wheat and barley as farmers produce within a competitive marketplace. If changes are coming—and we want to reiterate this—we are fully committed to participating in the development of a new framework for the future.

We of course understand that this process could take some time, which leads us to the second part of this segment. Unfortunately, our business relationship with the Canadian Wheat Board has some serious problems that cannot wait and must be addressed immediately. Our solution to these problems is via the adoption of a dispute resolution mechanism. Grain companies and the Canadian Wheat Board have to negotiate a number of different agreements and arrangements. In some cases we are able to reach agreement and in some cases we are not.

In those instances when we cannot agree, the Canadian Wheat Board proceeds as it sees fit—that is, unilaterally. There is no third party to go to or other avenue of appeal for grain companies; we simply have to live with the Canadian Wheat Board's decision.

For example, the handling agreement the Canadian Wheat Board has with its agents is the 1999 version, much of which is outdated and irrelevant. The outdated agreement continues to be extended under duress due to the fact that we cannot reach resolution on a new agreement. Our members would have obviously had the option not to sign the agreement, and therefore not handle Canadian Wheat Board grain, but this would not be an economically reasonable solution and would cause distress to farmers who grow Canadian Wheat Board grain.

By way of background, the Canadian Wheat Board is virtually the only monopoly in Canada without some form of regulatory oversight mechanism. There is a concern that the Canadian Wheat Board uses its statutory power in a manner that is inconsistent with reasonable standards of commercial behaviour. We are seeking a mechanism to counter potential abuse of dominance and promote reasonable standards of economic commercial behaviour.

To provide an unbiased determination, we have proposed a two-level arbitration system. If the Canadian Wheat Board, or one of its agents, has a dispute requiring a resolution, the issue would first be taken to an independent arbitrator to determine if the challenge would or would not contravene the Canadian Wheat Board Act or regulations. The item under dispute could only proceed to the second phase of arbitration if the arbitration in the first phase rules that, regardless of the outcome, it would not contravene any law. We believe this to be a fair and expedient way to resolve the handling agreement and to implement dispute resolution, while putting some parameters around what can and cannot be arbitrated.

We've approached the Canadian Wheat Board with this concept of dispute resolution on a number of occasions; however, they have tried to limit the discussion to only certain items. Dispute resolution is a fundamental governing principle in the world of business, trade, and commerce. It is used so parties have a reasonable option for resolving issues other than lengthy and costly court proceedings.

●(1025)

The existing process is unacceptable, in the context of normal commercial relationships, as having significant detrimental effects on the industry. We retained specialists who have explained to us that the government has the ability to enact appropriate provisions in the Canadian Wheat Board Act, or enact regulations by order in council, or issue directions.

Section 18 of the Canadian Wheat Board Act provides that cabinet "may, by order, direct the Corporation with respect to the manner in which any of its operations, powers and duties under this Act shall be conducted, exercised or performed."

The WGEA firmly believes that a dispute resolution process is required. To be clear, we do not intend that the arbitration process would be used to replace discussions or negotiations, nor to contravene anything in the Canadian Wheat Board Act. It is not intended to give the handling companies any advantage over the Canadian Wheat Board. It is only to be used for a fair, impartial decision, if needed, following an attempt to resolve a matter through good-faith discussions and negotiations.

We feel that both sides would be much more inclined to reach a cooperative resolution with the existence of a chance that each side

could lose at arbitration. The changes we are suggesting would be positive and would stimulate respect and collaboration.

Next I will discuss a review of the Canadian Grain Commission and the Canada Grain Act:

With respect to the current review of the Canada Grain Act and the Canadian Grain Commission, the WGEA was very supportive of the government's decision to hold such consultations. The act was written approximately 100 years ago and hasn't changed much since that time. An overhaul is long overdue, and we want to thank the committee for ensuring that the review of this act was initiated.

We have called for and supported this review because fundamental reform to the Canada Grain Act and the Canadian Grain Commission is essential for competitiveness today and in the future of Canada's grains, oilseeds, and special crops. Failure to move forward on the necessary reforms has placed Canada at a competitive disadvantage. We've seen the COMPAS report and, to say the least, we are very disappointed. We have some serious concerns about the directions it proposes. The need for fundamental reform and the consequences of failing to modernize Canada's regulatory system are absent from their initial document; rather, they appear to be favouring minor tweaks to the existing system.

As grain handlers, we absolutely support the involvement of the CGC with the mandate to help assure the integrity of Canadian grain. It is vital that the industry evolve in response to requirements of customers and consumers. It is equally vital that our regulators make every attempt, in consultation with industry, to do the same. As expressed in our detailed comments to both COMPAS and to the Standing Committee on Agriculture and Agri-Food in the past, the WGEA saw a real opportunity to make changes.

We were very discouraged to find that the COMPAS report either overlooked outright or dismissed the vast majority of the issues, concerns, and solutions offered. Their initial discussion document will not provide the required direction or framework for future consultations. The lack of understanding of the need for reform and the lack of direction demonstrated in the initial document will make it difficult for COMPAS to deliver a meaningful, comprehensive final report.

Again, we were under the impression that the review would result in a serious overhaul of this 100-year-old piece of legislation. Since the COMPAS report only identifies minor tweaks to the system, the public will not have the opportunity to comment on more fundamental changes.

We're not sure whether this committee also envisioned more than just minor tweaks when you mandated the review, but if you did, we would suggest and recommend that you invite COMPAS to appear here to outline why they have reached the conclusions they have.

In summary, the following changes need to be made to the CGC and the Canada Grain Act: first, the mandate should be revised to clarify that the CGC is the impartial adjudicator of the industry and to recognize the interests of grain producers are also served by having a healthy and vibrant grain-handling sector.

Second, either a business model or a government model should be adopted. If a business model is selected, it should be one of the CEO reporting to a board of directors. If a government model is selected, the CGC's status as an independent agency should be eliminated, and it should be incorporated directly into Agriculture and Agri-Food Canada.

Third, the primary function of the CGC should be to continue to establish grades and the standards for those grades, taking into account primarily customer demands and market conditions. Licensing should be the secondary function. The focus of licensing activities should be the maintenance of Canada's quality assurance system. Otherwise, the remaining functions and activities should either be eliminated or moved under AAFC.

There have been a number of reviews of the CGC, dating back to 1998. Each report has suggested many recommendations. However, few, if any, have ever been adopted and implemented by the federal government. Considering the flavour of COMPAS's report thus far, the WGEA is very concerned that the COMPAS review will once again fail to deliver the much-needed reform for our industry.

Finally, the Canada Transportation Act is the third area of fundamental change. On May 5 we met with the office of the Minister of Transport, Transport Canada, and other shippers and stakeholders to discuss the types of changes that should be made. This was a monumental task, but for the first time in history there was consensus among a significant number of shippers, stakeholders, and government officials. The changes we expect in the next rail freight bill will be beneficial and important to the grain industry. We're fully supportive of the process, and we thank the Minister of Transport for his leadership and guidance.

• (1030)

Provided this bill includes consensus from the May 5 meeting, we believe it would be a move in the right direction. We feel this bill is an important first step with respect to a number of outstanding issues for the whole rail-shipping community.

In due course, we look forward to a review of the level of service and balance of accountability between shippers and railways, which will be the next critical step more specifically designed for the grain industry. We encourage the government to act quickly to pass this bill so we can build on these changes.

In conclusion, traditionally Canadian western agricultural policy has pitted individual industry participants against each other, rather than fostering an environment of cooperation and partnership. Old deep-seated feelings of suspicion and fear, born in a far different world many decades ago, have been entrenched because our policy has not changed to reflect the new realities. This entrenchment has damaged Canada's competitiveness. Everything you have heard here today, and there is so much more, is designed to unravel the old biases in favour of a modern, balanced, reactive, efficient system, where all players push in the same direction towards the same common goal.

Thank you.

The Chair: Thank you, John.

We'll move to the Western Canadian Wheat Growers Association. Stephen, please proceed. Thank you.

Mr. Stephen Vandervalk (Vice-President, Western Canadian Wheat Growers Association): Thank you, Mr. Chairman.

Thank you to the committee for this opportunity to appear before you.

My name is Stephen Vandervalk. I'm a farmer from Fort Macleod, Alberta, and I'm the Alberta vice-president of the Western Canadian Wheat Growers Association. With me today is Blair Rutter, our executive director. We were initially invited to speak to the Canadian Wheat Board, so that's where our introduction will proceed.

We are here today to discuss our proposals for reforming the Canadian Wheat Board into an effective marketing tool for prairie farmers. We are building on a proud tradition. For the past 36 years, the Wheat Growers have been at the forefront in advocating many positive changes at the Canadian Wheat Board, including protein grading, a separate pool for durum wheat, freeing up of the feed-grain market, changes in governance, pool return outlooks, and forward pricing options. We see marketing choice as the next logical step in the Canadian Wheat Board's evolution.

We provided the committee with a position paper on the Canadian Wheat Board that our association prepared in March. I wish to provide a few highlights from that paper. What we were seeking is simply the same marketing freedom that is available to Ontario farmers. Quite frankly, we do not understand how farmers in one region of Canada can have the right to market their grain to whomever they please, whereas farmers in another part of Canada are denied that right.

The Ontario Wheat Producers' Marketing Board started to loosen its grip over its provincial monopoly in 2000 and granted full marketing freedom in 2003. Since 2000, wheat acreage in Ontario has increased significantly. In fact, last fall Ontario farmers planted a record amount of winter wheat. By almost all accounts, the Ontario experiment with dual marketing has been a resounding success. We are convinced that model can work as well in western Canada.

The Wheat Growers see tremendous benefits flowing to western farmers once we are free to choose whether to market our grain on our own or through a more focused and effective Canadian Wheat Board. Marketing choice means that farmers will decide for themselves when and where it makes best sense to deliver and sell their wheat and barley. This past year, for example, many farmers watched in vain as their piles of wheat downgraded in value due to lack of delivery opportunity. That's one of the problems of the Canadian Wheat Board monopoly. It assumes one size fits all and that every farmer's storage, pricing, and cashflow needs are virtually the same. That's not the case. Providing marketing choice gives each of us the ability to decide for ourselves the delivery and marketing options that best suit our farm.

We are convinced that marketing choice will also provide farmers with a greater opportunity to lock in profits on wheat and barley. As we outlined in our letter to the committee members last week, in recent months we've seen a rally in U.S. wheat markets. Under marketing choice, we'd have a greater opportunity to capture the prices under this rally. As we pointed out in our letter, we find it disturbing that the Canadian Wheat Board's projected prices have actually gone down at a time when the U.S. prices have climbed significantly.

You're talking about some real-life examples, and I have about three or four, if you want to ask about them later in questions and answers. I have one here on winter wheat. On Kansas versus Minneapolis, the futures for winter wheat are 30¢ higher than red spring wheat. Yet the PRO for spring wheat is \$5.63 and the PRO for winter wheat is \$4.38. That's \$1.30 less for winter wheat when the price should be 30¢ to 40¢ higher. That's one example, and I have more, specifically from my farm, if you want to ask.

The Wheat Growers also believe that freeing up the wheat and barley market will lead to all sorts of entrepreneurial activity, as new investment in value added takes hold. We have seen it happen in oats, canola, and the pulse industry. We are convinced it can happen in wheat and barley too. More processing facilities here at home mean more competitive choices and lower freight bills for farmers.

The Wheat Growers also want to make sure that any prairie farmer who wishes to market their wheat and barter collectively remains able to do so. We are not wanting to take that option away. In fact, we believe many of our members would want to market some of their grain on their own and contract a portion of their grain with the Canadian Wheat Board.

For this reason, we are recommending several structural changes to the Canadian Wheat Board that we believe are necessary to ensure it becomes a strong competitive choice for farmers. We are recommending the Canadian Wheat Board be transformed into a truly producer-owned and -controlled company.

Part of our reason for suggesting this is because the Canadian government has already agreed, as part of the WTO negotiations, to give up the government guarantee of Canadian Wheat Board borrowings and the initial payment. The timeline for giving up these guarantees has not yet been negotiated. However, we are likely to have a few years to undertake the necessary structural reforms and create a capital base.

• (1035)

As discussed in our position paper, we believe the capital base should be formed by allowing the Canadian Wheat Board to retain its existing equity, including the contingency fund, and by allowing farmers to elect whether they wish to invest their portion of interest earnings into CWB shares. We estimate that half of farmers would elect to invest their share of interest earnings with the board.

The Wheat Growers Association is not wedded to any one particular ownership model. The growers would take one of several forms. For example, the ownership model could be a traditional co-op structure, a new generation co-op, or a normal shareholding company. We believe the federal government, in consultation with the CWB board of directors, should determine the ownership model

that it believes will allow the Canadian Wheat Board to raise the capital necessary to become a viable, producer-owned and -controlled operation.

The Wheat Growers Association is convinced that the CWB can be transformed into a viable marketing tool for prairie farmers. Of course, there are no guarantees, but the successful transition of the Ontario Wheat Producers' Marketing Board from a single-desk marketer into an effective marketing competitor demonstrates that this can work. The Wheat Growers Association is not seeking preferential treatment. All we ask is that the laws of this land be harmonized so that we have the same rights and privileges that are afforded farmers in Ontario and elsewhere in Canada.

Again, thank you, Mr. Chairman, for the opportunity to present our views here today. We look forward to your questions.

The Chair: Great.

Thank you, folks, for those great presentations.

We'll now move to our rounds of questioning. We have roughly 25 minutes left, folks. Do you want to drop to five-minute rounds to get more people in? Is that okay?

All right, five minutes.

Mr. Boshcoff, please.

Mr. Ken Boshcoff (Thunder Bay—Rainy River, Lib.): Thank you.

For the grain elevator association, we talked about the working relationship generally being positive, except for this fly in the ointment about disputes. How often do you have those? What percentage of the business dealings is affected by this? Is there a dollar value to it? Is it every day?

Mr. John Heinbecker: I couldn't attach a dollar value to it, but I would suggest that it typically takes place with the issues that tend to be the most wide-ranging in the sense that they affect us in the most dramatic forms. It wouldn't occur in day-to-day business for the small, individual workings that are going on between the companies, the daily discussions. They're at a much higher level.

Mr. Ken Boshcoff: Would it affect 80% of the transactions, or...?

Mr. John Heinbecker: I'm not sure that you can look at it on a transaction basis. The example I gave was the 1999 handling agreement. That's the single most important document between the grain companies and the Canadian Wheat Board. There was a lot of agreement within that document—it's very complicated and it's very voluminous—but there are three or four critical issues that remain outstanding that we cannot resolve. It's those issues that we're talking about when we say we need to have a dispute resolution mechanism.

•(1040)

Mr. Ken Boshcoff: Okay.

For the western grain growers, is there an overlap with your membership and that of the Canadian Wheat Board? How is your membership composed, and how are you financed versus the Canadian Wheat Board?

Mr. Blair Rutter (Executive Director, Western Canadian Wheat Growers Association): The Wheat Board does not have members. We have members, and they are all voluntary farmer-members who pay an a membership fee of \$150 per year. That's largely how we're funded.

Mr. Ken Boshcoff: Do you envision that there actually could be...? Would you do essentially the same job as the Canadian Wheat Board, or are you going to compete with it as a functionary?

Mr. Stephen Vandervalk: No, we're just an organization that represents farmers. With the dual marketing, a farmer would do his own marketing. Some farmers are good at production; some farmers are good at marketing. But it doesn't matter if you're good at marketing, because you can't use those skills. All you can do is grow wheat and hope they do a good job for you. So that job would fall to each individual farmer.

Mr. Ken Boshcoff: Okay.

Because we're down to five minutes, I have to move quickly around these.

First, to the Grain Commission, in terms of servicing and your concerns about the maritime industry, various grain companies have talked about this on-demand section. You've explained the financial aspects of it. What can you do to be more efficient in terms of consolidating inspections or doing things by train, by lot size, or something? Is there a way you could actually show the companies that you could do it if you had agreement or concurrence with them?

Ms. Christine Hamblin: We have looked at some ways of increasing efficiencies. Certainly composite grading is one. Instead of grading each car that's coming in, grade them in car lots of 10, 15, 20, or whatever—in different sizes. That would create significant savings. We have also talked with the industry about doing a rough grade, highlighting some of the key factors and providing more detail at a later date.

We haven't moved on any of those initiatives because we haven't received industry support for them, but there are some things that can be looked at. Certainly the review that is under way right now is looking at some other broader initiatives, as well.

Mr. Ken Boshcoff: Mr. Heinbecker, with the Canada Transportation Act changes, do you see improvements to utilizing the Great Lakes and St. Lawrence Seaway system, or do you see a change in transportation from east-west to north-south?

Mr. John Heinbecker: From a grain perspective, it's not necessarily going to help the use of the St. Lawrence system. I think the increased use with respect to grain shipments directly relates to where the markets are at that time. We've seen obviously a reduction in the use over time, mainly because the Canadian markets have moved from the east to the west and to the Asian market. I think that trend is still there, and in my opinion it's likely to continue.

Having said that, I think in the case where there is rail reform and the opportunity to move more grain, it always provides us with an opportunity or a chance to have another look at those different ports and outlets.

Mr. Ken Boshcoff: Thank you very much.

The Chair: Thank you, Ken.

Moving to Madame DeBellefeuille, five minutes, please.

[*Translation*]

Mrs. Claude DeBellefeuille (Beauharnois—Salaberry, BQ): Good morning. Thank you for your presentation.

I'm not a farmer, I'm a Member of Parliament. I've listened closely to all of the witnesses who have spoken this morning, and I've also read up on the subject. On hearing Mr. Anderson say that the majority of Western farmers favour a change and a dual marketing regime, I have to wonder if perhaps he is generalizing. Every one claims to have done surveys or studies showing that farmers want a change and a dual marketing regime, whereas board members who are also producers oppose the move. I have the feeling that each group is defending its position and its own interests, while pursuing the same goal, namely looking out for the farmers.

Mr. Heinbecker and Mr. Vandervalk, what do you think of the stand taken by the board and by a substantial number of producers, many of whom contacted me at my Ottawa office? They want producers to have an opportunity to discuss the issues and would like a referendum to be held on whether or not the board should be opened up and a dual marketing regime instituted. What is your association's position on the subject?

•(1045)

[*English*]

Mr. Stephen Vandervalk: I guess when it comes down to western Canadian farmers with agriculture, it's wheat and barley. It's the only commodity, or any type of business in the country, or in fact most of the world, where you don't have the choice. You own your own land, you own the inputs, you own everything, and yet when you make a final product you don't have the right to sell where you want. You don't have that freedom.

I suppose our position, and mine personally, is that you shouldn't have a vote to say whether you have the right to do something.

[*Translation*]

Mrs. Claude DeBellefeuille: Why is that?

[*English*]

Mr. Stephen Vandervalk: We don't have a majority group taking rights away from a minority group. I feel that whether the vote is 70% in favour of dual marketing or 20% in favour of dual marketing, really at the end of the day it does not matter, because that 20% should still have the right to market their own grain. It's a fundamental freedom. We live in a free country. Ontario has that right; B.C. has that right.

[Translation]

Mrs. Claude DeBellefeuille: But sir, this is the very essence of a democracy. When a referendum is held on a particular issue, the government must bow to the wishes of the majority. Why are you calling these basic principles into question?

[English]

Mr. Stephen Vandervalk: Well, if that's the case, why do we have judges? If everybody just voted on something and the majority ruled, then how would society carry on? You can't have a majority group say that this group doesn't have the right to vote. If the majority of the people say that this group doesn't have the right to vote, it doesn't mean that group doesn't have the right to vote. That's the whole point of having a Constitution.

[Translation]

Mrs. Claude DeBellefeuille: So then, you're telling me that a minority of producers want a dual marketing system. That's what I'm hearing. You want your option to win out, but you're in the minority. When Mr. Anderson refers to producers in general, that's not exactly an accurate statement. In fact, this option is favoured by a minority of farmers, in fact, by only 30 per cent, according to your estimates.

[English]

Mr. Stephen Vandervalk: I was just using it as an example. I feel that if the right question were posed to the farmers, there would be a majority vote. I'll let Blair continue, but I was just saying, for example, if only 20%....

It doesn't matter what the number is. It shouldn't affect a person's rights.

Mr. Blair Rutter: The latest Wheat Board surveys show that 49% of farmers favour the dual market; 47% supported a single desk. That's the Wheat Board's own survey of permit book holders. But setting that aside, on the issue of the number, whether—

[Translation]

Mrs. Claude DeBellefeuille: I'm sorry to interrupt you, Mr. Rutter, but can you tell me where you obtained these figures? According to my sources, 76 per cent of producers support the Canadian Wheat Board and 88 per cent are in favour of holding a referendum. Therefore, we disagree on the numbers.

[English]

Mr. Blair Rutter: Thank you for the question.

Why we have different figures is because the survey asked the question in many different ways. So it all depends on how you ask the question what the result will be. In fact, that's probably the major—

• (1050)

[Translation]

Mrs. Claude DeBellefeuille: That's the way it goes in politics as well.

[English]

Mr. Blair Rutter: —finding of the survey.

Regardless of the percentage, it's close to fifty-fifty. Half the farmers want marketing choice; half the farmers want to have the single desk.

But the question is, at what point is it the right of the state to impose its views on all farmers? To enforce the monopoly, you have to have state intervention. The monopoly can only be enforced by the state. So you don't have farmers deciding whether they want to market individually or market collectively; you have the state, the Government of Canada, in its wisdom, having decided that one group of farmers will impose its wishes on another group of farmers.

The Wheat Board monopoly was brought in without a vote back in 1943. It was during wartime. The government of the day felt that it was in the best interests of the country. I think we can all agree that during wartime certain individual freedoms can be set aside, but it's 60 years since the war ended, and we feel that farmers individually should decide whether they want to market individually or market collectively.

If farmers wish to market collectively, that should be their right, just as people invest in mutual funds, or they deal with credit unions or caisses populaires. People have choices of whether they want to operate in pooling arrangements or whether they want to invest or sell on their own. That's all we're asking for the farmers of western Canada.

The Chair: Thank you, madame.

Mr. Bezan, five minutes, please.

Mr. James Bezan (Selkirk—Interlake, CPC): Thank you, ladies and gentlemen.

The Chair: Oh, I'm sorry, did someone else have a redirect for that?

Mr. John Heinbecker: The question was posed to both of us.

The Chair: Okay, John, do you have anything else to add?

Mr. John Heinbecker: I'll just need one minute.

The WGEA doesn't really want to comment on the surveys, the studies, or the price tests that have been done by the parties. I think it's pretty clear that numbers can be made to say anything they want, and it depends on who is doing the study. So we tend to stay away from them.

I think it's clear that the industry is polarized, but I don't think polarization should be an excuse for inactivity. I think it's very healthy to have these types of discussions. We're operating in an environment today that is much different from 50 or 100 years ago, and I think the legislation that is currently governing the way the Canadian grain business is operating needs to be revisited on an ongoing basis so that Canada can remain competitive, in whatever form, dual marketing or anything.

The Chair: Thank you.

Mr. Bezan.

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

Thanks for coming in to testify today.

There is a lot of discussion going on around the Wheat Board, and services and that. I do have a concern about the Grain Commission. There have been some complaints brought in lately about services at the ports, about slowdowns in the movement of grain, lack of inspection during certain times of day. I want to get some comment and feedback, both from the Western Grain Elevator Association and the Canadian Grain Commission, on why that decision was made—I understand it was a unilateral decision—without taking in mind the business that exists at the port and the need to move product 24 hours a day.

Ms. Christine Hamblin: I can start with what happened.

As I mentioned in my presentation, we do have a very tight budget this year. It's about the same dollars as we functioned under last year. We have not cut services. We have indicated that we have the same dollars as we had last year and that we need to live within those dollars.

What we have said is that there may be times—Sunday evenings, for example, midnight to eight in the morning—because we can't have our staff working beyond 16 hours at a stretch. It's unreasonable for our staff to work that shift and be expected back in at work at eight the next morning. So what we have said to the industry is, if you can keep us informed as to when you expect vessels or rail cars to arrive, we will do everything in our power to accommodate your needs. However, if we get last-minute requests, it will be difficult, because if staff are already assigned, there are health and safety rules we must comply with. So what we have asked for is better communication, better dialogue, so that we can do everything we can to address the industry needs.

Mr. John Heinbecker: To further that point, the holding back of services is critical and it's a huge problem. But to go back to my earlier presentation, I think the legislation under which the Grain Commission is presently being governed is the problem, and if we were to revisit that legislation it might in turn free up the Canadian Grain Commission to behave differently or be able to act differently, and it would probably allow them to provide those services they're presently not able to do.

Mr. James Bezan: You mentioned during the presentation, John, the COMPAS report that was written and how there's a disconnect between what the industry needs and what we're trying to do with the grain review. Why do you think COMPAS erred so major league, given the comments you made in your presentation?

Mr. Wade Sobkowich: If I may add to that, one of the things that COMPAS didn't speak to is the more fundamental question regarding governance and mandate. We all know that major change happens when you can take a good solid look at the mandate and the governance structure of an organization. This problem we're talking about, CGC level of service at the ports, is just symptomatic of deeper problems that aren't CGC's fault. It's just a problem that is symptomatic of the need for review.

To put this particular issue in terms that I can understand, basically what has happened is the Canadian Grain Commission has a statutory obligation to provide service and the grain companies have to use that service. They cannot by law go anywhere else to get inspection services. If the CGC cannot provide that service they are supposed to offer an exemption. In this case the CGC has decided—they have been forced to decide, or whatever—that they can neither

offer the service when we want it, nor are they prepared to offer an exemption.

So they're requiring us to use something that they're not prepared to provide.

• (1055)

Mr. James Bezan: My last question is for the Western Canadian Wheat Growers, surrounding some of the issues with CWB and value-added opportunities. We heard Mr. Venn earlier today talking about some of the impediments there, and I wanted to get some comments.

You already mentioned how there are also pricing issues here with winter wheat. As it currently stands today, I know farmers in my area—and I'm a farmer—are concerned about value-added opportunities, not being able to participate in those upflows of revenue that could come from more value-added activities happening on the prairies. Oats are a good example. Oats were freed up and we now have record acres in production and value-added processing across the prairies.

I would like some further comments from you on that, Stephen.

Mr. Stephen Vandervalk: I think the malt is a really good example, because if you have a maltster next to you, say 50 or 100 miles away, it might cost you \$8 or \$10 a tonne to haul it there. If you sell it to the Wheat Board you have to bring it to the elevator, pay elevation, pay the freight to Vancouver, pay it back, and it costs you \$50 a tonne, where you could haul it directly there for eight bucks a tonne.

I know of maltsters paying more than the Wheat Board is selling it to them for, buying it from the United States for more money than they're paying to the Wheat Board because...sorry, for more than what the farmer gets in his pocket, but it's less than what they could buy it from the Wheat Board for because of all the freight deductions, elevation, cleaning and inspection, and the whole works.

So that's one clear example.

Look at what some of the crush plants for canola have done for the industry nearby, at what Bunge in Saskatchewan has done for canola prices in that area. You can see what just one plant can mean to farmers of the entire surrounding area. They truck it in from all over the place. There is example after example of value adding, and some of these companies will not deal with the Wheat Board and they will not come in. What are we to do? We have no choice.

The Chair: John, a short point.

Mr. John Heinbecker: Yes, a short point. I think the idea that has been raised is a good one, but like anything it has many complex permutations and combinations as you dig down, and the committee should be aware that any time you free up one part of the market and don't free up another, you can create a problem.

I know there has been lots of talk about multinationals sitting around the table today. We're not one, and we have a flour mill in western Canada and we need to make sure that if there are going to be changes with respect to the way wheat and barley are marketed to processing plants that it be a holistic approach so that the market isn't damaged in favour of one over another.

The Chair: Mr. Atamanenko, five minutes, please.

Mr. Alex Atamanenko: In February 2006 the grain division sent a letter to our minister and it was supported by companies such as Cargill and others, in addition to your organization, asking for clarity and “recommending that the Government of Canada be prepared to discuss and negotiate the matter of exporting state trading enterprises at the WTO”.

It's no secret that the U.S. and the European Union want us to get rid of what they call state trading enterprises. In your opinion, if we were to do this, if we succumb to the pressure of the WTO and we get rid of these enterprises, right now, with 70% of the world grain trade controlled by the multinationals, will that mean that 100% of the grain trade will be controlled and then farmers such as yourself, in the long run, will wind up paying any price they want, so there won't be anybody negotiating on your behalf? That's the first question.

Secondly, is it fair to compare Ontario with Canada? Some statistics show, for example, on Ontario soft wheat, the price currently being paid is \$148.88 a tonne. Under the old system the price would have been \$173 a tonne. Do you agree with that? Apparently farmers are receiving less money. It's a different situation. They have access to fifteen mills and eight port facilities. They export 384,000 tonnes outside of Canada and the U.S., whereas the west exports 10.1 million tonnes. Are we really comparing oranges and oranges here?

The last question is, how many members does your organization have? Do you know how many members the National Farmers Union has? You have opposing views. They're saying that the Canadian Wheat Board has made \$800 million for farmers over the last year. So we have different views. How many members do they have and how many members do you have? Who really represents the farmers in western Canada?

I'll stop there.

•(1100)

The Chair: Thank you, Alex.

Gentlemen.

Mr. Stephen Vandervalk: The first question was on multinationals. My first question on multinationals is this. Is this a swear word? Is it such a bad thing that the multinationals are coming and buying our grain?

The Australian Wheat Board lost their export monopoly and the next day the barley price jumped. Instead of having one guy buying their grain, they had four or five companies bidding on it.

So what's wrong with having all these companies bidding for your grain?

I can give you examples of what the prices are in Montana, to what the Wheat Board's pool return outlooks are, or even their fixed price. If the Wheat Board is doing such a good job with the PRO, the PRO really has not been higher than the fixed price since it's come in, on average. It might have been a few times, but to my memory it's never been higher. So why is the fixed price—that's the market price you can get that day on the market—higher than the pooling price? It really never is.

It's not only that, it's the grading. If I take my wheat to the States I can get a much better grade for the same wheat. I'll get it graded here in Canada, I'll take those samples, and I'll go. It will be number four or five here, sometimes feed, and it's a number one in Montana. It's not necessarily dark northern spring, where you get the nice colour, but the colour isn't as important to them. Not only are you seeing maybe a 30¢ or 40¢ premium on the same grade, you're also seeing an extra dollar per bushel on the better grade. A dollar a bushel, \$1.50, or even 50¢ a bushel can mean the difference between quitting farming or continuing farming, because 50¢ is huge.

Mr. Blair Rutter: On the last two questions, I think in the case of Ontario we can look at how acreage of wheat has increased in Ontario. That's your best indicator, best barometer of whether farmers have embraced this system or not. Wheat acreage has grown. Farmers have now determined that wheat is more profitable to grow than it was before. There was record wheat acreage last fall and record exports of wheat.

In western Canada we were shut out of the U.S. market for almost three years. At the same time, Ontario wheat farmers were exporting record quantities of wheat. So it certainly worked well for Ontario farmers. They're expanding acreage, there's more processing, and there are more exports. It's very much a success story and we want to see that repeated in western Canada.

As far as the members are concerned, we have just under 1,000 members, and I do not know how many members the NFU has.

The Chair: There's a sidebar discussion here that's going to end.

Alex, you're actually out of time. Were there any other points that were missed here that someone else wanted to pick up? Okay.

Thank you so much.

We've run a little past time, ladies and gentlemen, but we did start a little bit late, too. I have several members who would like to ask one short question. Are we okay with that? All right.

Mr. Thibault, one short question, one direct answer.

•(1105)

Hon. Robert Thibault (West Nova, Lib.): I'd like to table the report of the 2006 Canadian Wheat Board annual producer survey. I think it will clear up a few of the misconceptions or difficulties there have been about the survey.

The Chair: Is that in both official languages?

Hon. Robert Thibault: I don't know, Chair.

The Chair: Okay. If you have it translated, then I'd be happy to take it.

Thank you.

Hon. Robert Thibault: I'll do this as quickly as I can. The question I have is in two parts.

Mr. Vandervalk, I would tend to agree with you that you have to free up business people to do business. On the other hand, we have a system that has evolved over 60 years and seems to be working. The way it has evolved...it has changed. As we've heard in the earlier presentations, if you change it too quickly you could devastate the whole thing.

The question I would ask is if you went to a dual buying system or dual marketing system, would you have the effect or risk of high-grading to such a point that the Wheat Board would become only the repository of low-grade or low-marketability product and that would hurt or kill the people who absolutely depend on the Wheat Board?

To Mr. Heinbecker, you mentioned that there could be some changes made within the system that would be devastating to the domestic industry that has evolved through that time. You mentioned the flour milling in western Canada or other types of things. If you have time, could you elaborate on the changes you see that, if they happened, would be devastating to our domestic industry?

The Chair: That was actually two questions. You snuck it in and you just cost Mr. Easter one.

Gentlemen.

Mr. Stephen Vandervalk: Referring to the question on changing too rapidly and losing all that we've gained, the WCE, the Winnipeg Commodity Exchange, already has mechanisms in place for price discovery if dual marketing ever comes into play. The market is already ready for the dual marketing to come in and it will happen seamlessly. It will go into the future just like everything else. You can price off Winnipeg or Kansas, there's Minneapolis, it's all there.

Also, I don't see why... The Wheat Board has been around for 60 years. They have all these clients, they have all the networking access, everything. They have such an advantage. Why would they lose all this market share just because I'm able to sell to Cargill or Agricore or P and H, as we call it, directly? Why would they necessarily lose?

We've talked to many farmers, and they believe they would still want to keep part of their wheat with the Wheat Board.

Hon. Robert Thibault: Which part?

Mr. Stephen Vandervalk: Well, what we advocate is that you have to choose how much wheat you put into the pool beforehand, so that they know exactly how much they have to sell, what quality and what timeframes.

In any other commodity, if you hold your canola, oats, or whatever, over a certain timeframe, the longer you hold it, the more valuable it becomes. With the Wheat Board, you can hold it, you can downgrade it and hold it for a year, yet it's worth the same amount of money as the guy who sold it a year earlier.

There's a whole bunch of disadvantages. We don't have time to get into them all, but—

The Chair: No, you don't.

Mr. Stephen Vandervalk: So I'll leave it.

Mr. John Heinbecker: I didn't want my comments about the domestic milling industry to be misconstrued. I'm not suggesting necessarily that a change would have a detrimental effect on the

domestic milling industry. The point I was trying to get across is that the grain handling and transportation system is pretty complicated. Any time you try to tweak or change one small element of that, it has an effect all the way down the chain, right to producers.

I think in the case of the bill we were talking about earlier, or the idea, which was that producers could deliver to their own production facilities, if that production facility were say in direct competition with my production facility or somebody else's, and they had a different pricing structure or a different way to obtain the grain, it might create a competitive imbalance. So all I'm suggesting is that that's the route the government chooses to make very sure that the competitive balance remains even within Canada.

The Chair: Thank you, gentlemen.

Mr. Miller, a short point.

Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC): Thank you, Mr. Chair.

Mr. Vandervalk, I was really interested in some of your comments, especially the one about democracy and the right to have the choice to sell. I think Mr. Heinbecker would agree that in Ontario the option to sell certainly hasn't made complications for his business and other similar businesses.

To make this dual marketing explainable to some other parties, if we had dairy farmers in Ontario who could work under the supply management system but they couldn't in Quebec, I think you'd have Mr. Bellavance, on behalf of his producers, knocking down the minister's door, and if you did it in P.E.I., you'd hear Mr. Easter squealing all the way from there.

Mr. Vandervalk, my hypothetical question to you is, if you were to have a vote by the wheat industry on whether to have dual marketing—and I'm certainly not proposing it—would it not be in the fairest of terms to have every wheat producer right across the country, including British Columbia and Ontario, in on that vote.

• (1110)

Mr. Stephen Vandervalk: Yes, everybody should have a vote. I just cannot get past the fact that you cannot have the majority impose their will on the minority. It's that simple. It doesn't matter if you have a vote. How did we advance as a society through the last hundred years if the majority just voted? I can give you a number of examples. I don't know if people think they're reasonable, but—

Mr. Larry Miller: I agree with you, Mr. Vandervalk, but I—

The Chair: We're getting into a debate now.

Mr. Larry Miller: I just wanted to know, if you had the vote, whether it should be every producer, and I think you said yes.

Mr. Blair Rutter: I think the point we want to make is that the law should be consistent across the land; it should be harmonized. Farmers in western Canada should have the same rights and freedoms that farmers elsewhere in Canada have. We'll leave how that's achieved to you, but that's a fundamental right that we believe western farmers should have.

The Chair: And conversely, eastern Canadian farmers should have the benefits of the Wheat Board, if they so desire.

Thank you.

Having said that, our meeting will be adjourned, but at this point, stay sitting, folks, as we have a bit of housekeeping to do.

The witnesses are excused.

Thank you so much for your presentations, folks. That was great.

Getting down to business here, at the last committee meeting we had talked about a quick road trip over to the Rothsay biodiesel plant. That was for next Tuesday. We have to go to the liaison committee. The clerk has done up a budget. We have a bit of a timeframe as to what the Rothsay folks would like us to see and do while we're there. Having said that, we've also had some changes in our commitments next Tuesday, in that we're now sitting until midnight next week. Taking it all into consideration, is the committee still interested in making that trip? If so, I will make the presentation to the liaison committee.

André.

[*Translation*]

Mr. André Bellavance: I agree with the idea of our touring the ethanol plant. However, we had discussed our schedule. I'd like us to leave in the morning, in order to return late in the day. That way, if there is a vote or some such thing in the House, we'll be able to take part. I wouldn't want to miss anything. I don't see why we couldn't leave early in the day, even before the committee's scheduled meeting time. I think this would be an ideal time to tour the plant, and later we could come back here.

[*English*]

The Chair: All right. We'll just double check as to what our meeting is about next Tuesday.

Okay. It's on transportation issues. If we change that to Thursday, when we have no committee meeting, we could do the road trip on Tuesday.

Is everyone okay with that?

We have it for twelve members of the committee, as well as the staffers, and various and sundry hitchhikers we'll pick up on the way, interpreters too, and so on. The trip will be made by chartered coach.

We've put together a budget. We have a motion that would have to be presented at the committee. I will seek roughly \$2,500 from the liaison committee in order to make that happen.

Are you folks in general agreement with that?

Some hon. members: Agreed.

The Chair: I will read the motion, then. The motion reads as follows:

That the proposed budget in the amount of \$2,506 for the Committee's travel to Ste. Catherine (Québec) on June 20, 2006, in relation to its study on Biofuel

strategy, be adopted and that the Chair present the said budget to the Budget Subcommittee of the Liaison Committee.

An hon. member: So moved.

(Motion agreed to)

The Chair: Providing they meet quickly enough for us to get this done, we will make it happen.

The motion that we're going to do that will be presented to the House.

• (1115)

Mr. Alex Atamanenko: Gerry, when are we speaking on your Bill C-300?

The Chair: Monday, a week from yesterday.

Mr. Alex Atamanenko: Okay, so there's no conflict with our trip that you're proposing?

The Chair: Not unless you're going to speak all night. I'm happy to do that, if you want to run straight through. If you get it voted through before we rise, that would be great.

Mr. Alex Atamanenko: I can speak all night Monday, okay.

Hon. Wayne Easter: Are you going to have a vote for that? I thought you guys were opposed to votes. How about doing it on division?

The Chair: I'm just speechless at some of the points Mr. Easter makes.

That would be fine. On division's great; I'll take it any way I can get it.

So that handles the Rothsay situation.

All right. We will go in the morning at the normal time of our committee meeting. We'll leave here at nine o'clock and be back in time for votes, etc.—providing we get it past the liaison committee and so on. The clerk will circulate the proposed agenda and the timeframes and all of that right away.

Mr. Easter.

Hon. Wayne Easter: This is not on this subject, but I just want to make sure we do a notice of motion for the motion I tabled.

The Chair: Yes, that's next on my list.

We have a notice of motion from Mr. Easter that will be discussed on Thursday. So be prepared for that, folks. You all have a copy of it in both official languages.

I guess that's it.

This meeting stands adjourned.

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