



House of Commons
CANADA

Standing Committee on Agriculture and Agri- Food

AGRI • NUMBER 022 • 1st SESSION • 39th PARLIAMENT

EVIDENCE

Wednesday, October 25, 2006

—
Chair

Mr. Gerry Ritz

Also available on the Parliament of Canada Web Site at the following address:

<http://www.parl.gc.ca>

Standing Committee on Agriculture and Agri-Food

Wednesday, October 25, 2006

• (1535)

[English]

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

Ladies and gentlemen, with us today to continue our debate on the future of the Canadian Wheat Board, we have the Honourable Doug Horner from Alberta, the Honourable Rosann Wowchuk from Manitoba, and the Honourable Mark Wartman from Saskatchewan.

Welcome, ladies and gentlemen. It's a pleasure to have you with us today.

As you can see, we're also treated to a TV camera in the room, which doesn't happen that often other than in the designated areas but it is allowed under the Standing Orders.

I will be banging the gavel for decorum if we do tend to fade away. I know what it does in question period when we have cameras running, so take that as a warning, gentlemen and ladies, that I will be very strict in maintaining decorum during this discussion today.

Having said that, we will start off. I'll have Mr. Wartman go first.

Hon. Mark Wartman (Minister of Agriculture and Food, Government of Saskatchewan): Thank you very much, Mr. Ritz.

Good afternoon to everyone on the committee and those who are attending. I thank you for this opportunity to appear before the committee on an issue that is so vital to western Canadian farmers.

I want to begin this afternoon by stating the Government of Saskatchewan's position on the Canadian Wheat Board. We believe that the loss of the single desk and the supposed implementation of a voluntary marketing system would result in serious financial loss for western Canadian grain producers. We also believe it would effectively eliminate the Canadian Wheat Board as a major Canadian marketer in the international marketplace and reduce the overall competitiveness of the western Canadian grain industry from a producer perspective.

The current debate related to the CWB has been framed by this federal Conservative government as an issue of choice. According to the federal government, they are bound by their electoral commitment to enable farmers to participate voluntarily in the CWB. They continue to voice this position even though farmers who voted for the Conservative government did so for a host of reasons, and many have indicated they did not vote to have the Wheat Board dissolved or changed in this manner. In fact, most Conservative MPs in Saskatchewan had a very low profile on this issue during the last election campaign.

I too would like to talk about choice, but unlike the federal government, my vision of choice sees western farmers choosing for themselves the best way to market their wheat, durum, and barley, options that include the right to market collectively by retaining the board's single-desk authority—a right that, by the way, is enshrined in the CWB Act.

But first, for any informed choice you need access to information, information that the federal government has been slow or outright reluctant to provide. This afternoon I would like to pose a number of questions. These are questions that I would encourage producers and this committee to consider as they engage in the debate over the future of the CWB.

Question one, does the CWB achieve premiums in the marketplace by effectively branding and marketing western Canadian wheat, durum, and barley? Saskatchewan believes the evidence shows the CWB does. So do a number of prominent academics whose independent studies have confirmed that the CWB is able to achieve premiums for producers through branding. In essence, the CWB gives western farmers market power.

The federal government has been encouraging farmers to move up the value chain and to focus more on products and less on commodities. Given the emphasis that the federal government has placed on the value of branding Canadian agriculture products, it is totally inconsistent that they would now be attempting to eliminate the CWB, an entity that has proven itself to be effective in achieving premiums for producers through branding.

To my second question, can the CWB remain in place as an effective marketer without any infrastructure if it has to compete with private grain companies to market western Canadian wheat, durum, and barley? Saskatchewan believes it cannot. An agency without ownership of infrastructure such as grain-handling facilities would be dependent on, and at the mercy of, current grain handler companies, companies that would become their competitors. Realistically, what incentive would these competitors have to do business with the CWB? Yet without the cooperation of its competitors, the CWB cannot function, as it has almost no resources to establish a physical presence both on the Prairies and at a port position. Given that the Canadian Wheat Board currently has no physical assets of any consequence, how could it expect to acquire them and expect to acquire the necessary capital base to truly be a player in this large industry?

"The Canadian Wheat Board Transition Project", the study prepared for Alberta Agriculture, Food and Rural Development by JRG Consulting Group and released in June 2006, essentially states that the CWB would not be effective in a dual-market environment. That's on page 24 of their report.

My third question asks why the current government is so opposed to the CWB. Is their position simply based on a philosophical or ideological position, or is their position based on objective information showing that farmers would be better off without a CWB? The information that I am aware of from independent academic studies clearly demonstrates that CWB provides value to western producers. For example, estimates of the single-desk premium obtained for western Canadian milling wheat ranged between \$10.49 per tonne—the Gray study of 2001—to \$13.35 per tonne, from Kraft, Furtan, and Tyrchniewicz in 1996.

Where is the objective and unbiased information from the federal government to support their position that the CWB disadvantages western producers? Why doesn't the federal government share this information, if it has it, with producers, so that they can make up their own minds?

If there is no objective information and if the federal position is primarily based on ideology, I must ask—where will this federal government stop in carrying out its philosophic mandate? If the CWB is currently being targeted, can it be long before this government takes a similar approach with supply-managed industries?

Question four, should the federal government be able to circumvent the Canadian Wheat Board Act, which calls for a producer plebiscite on major changes to the board's fundamental powers? The CWB Act must be respected both in spirit and in law. Why are western wheat, durum, and barley growers being denied a say in accordance with the act in how the CWB is operated? Why is the federal government so reluctant to go to a vote with a clear, honest, and honourable question? Is it because they know that the majority of western producers favour the CWB?

The federal government has continued to use questionable tactics in how it deals with the CWB. This fall the federal government appointed a so-called marketing choice producer to the CWB board of directors. This is a clear break with tradition, as producers have always run for one of the 10 elected board positions that are specifically set aside for producers. The five appointed seats are to be filled by non-producers, who bring specific skills—valuable skills—to the CWB board.

This is a clear attempt by the federal government, albeit by the back door, to shift the balance at the board table. This is both undemocratic and inappropriate, but it shows the lengths the federal government is willing to go to in undermining the CWB. We've seen it on other fronts, including interfering with an election in the middle of the electoral process and the placing of the gag order on the CWB by the federal government. It flies in the face of the need for informed debate.

If the CWB ceased to exist, who would speak for western farmers on grain handling and transportation issues? According to the CWB, the board's involvement in grain delivery, handling, and transporta-

tion saves producers over \$150 million annually. Who would capture these benefits in a multi-seller environment? Would it still be the producers—or more likely, would it be the grain companies or the railroads?

● (1540)

Question six, who stands to gain the most from the elimination of the CWB single desk? The U.S. has launched 11 separate trade challenges against the CWB in an attempt to get rid of the CWB's monopoly. Each time they have failed. The very fact that the U.S. is so desperate to get rid of the CWB should tell us something. It should tell us that the CWB is able to achieve real benefits for Canadian producers.

Question seven, what will be the impact of the loss of the CWB on producer inland terminals, short-line railways, and producer cars?

The presence of the CWB in the western grain-handling and transportation system provides a level playing field for the smaller producer-owned interests in the industry. Producer-owned, non-aligned inland terminals are able to ship for export because of policies established by the CWB. Without the CWB, many of these terminals would become uncompetitive. Because they do not have port terminal space, they would lose their independence to the integrated grain handlers or they would be squeezed out of business.

It is no coincidence that over 95% of the producer cars shipped contain Wheat Board grains. The committee may wish to ask why it is either too difficult or of questionable value to ship non-board grains by producer car. Producer investments in short-line railways and inland terminals have helped to bolster producer returns, and I want to point out that it is not just producer investment—communities have invested in producer car loading facilities, and communities have invested in independent inland terminals. They stand to suffer significant loss.

What will the removal of the CWB do to the viability of these producer and rural community initiatives? It is Saskatchewan's position that we need a good solid single-desk Canadian Wheat Board because it is an effective marketer of grain. It gives our producers power in the global marketplace and within our domestic grain-handling and transportation system, and it maximizes the return to producers—not to shareholders of a company but to primary producers.

However, it is also our Saskatchewan position that it should be farmers who decide the future of the CWB, not the current federal government. I ask you, the Standing Committee on Agriculture and Agri-Food, to respect the wishes of the farmers, to respect the legislation that governs the Canadian Wheat Board—not to try to go around it, but to call for a producer vote on the future of this agency, and to call for that with a clear, honest, and honourable plebiscite question. Let farmers decide what's best for them.

This concludes my comments. I thank you very much for granting me the opportunity to come and speak on behalf of the people of Saskatchewan today.

Thank you.

● (1545)

The Chair: Thank you, Mr. Wartman.

We'll now move to Ms. Wowchuk for 10 minutes, please.

Hon. Rosann Wowchuk (Minister of Agriculture, Food and Rural Initiatives, Government of Manitoba): Good afternoon, and thank you very much for giving me this opportunity to speak on behalf of the producers of Manitoba, and to tell you why the Manitoba government is absolutely opposed to the elimination of the Canadian Wheat Board single-desk selling mandate by the federal government.

The Canadian Wheat Board is a western Canadian institute that has preserved prairie farmers well for the past 70 years and provides a number of important advantages for our producers. Studies show us that the Wheat Board extracts premiums from the marketplace from wheat sales ranging from about \$10 to \$13 per tonne. In Manitoba alone, this means about \$36 million added into the farm economy every year. Across western Canada, these premiums can exceed \$300 million a year.

Without the Wheat Board's single-desk selling, these premiums would disappear from farmers' pockets, and that is an important fact to remember. For me this is the single greatest reason why we must fight to keep the Wheat Board's single desk. If it is lost, the effects will be dramatic on the farm economy and farm income returns, and it could be devastating for rural communities.

Without the Canadian Wheat Board, farmers will also lose their most powerful advocate with the transportation and grain-handling industries. I want to remind the committee members that it was the Canadian Wheat Board that stood up for the farmers in the level of service complaint against the major railways. It's the Wheat Board that stood up for farmers in trade actions. Without the Wheat Board, who will stand up for farmers in this way?

Without the Canadian Wheat Board, farmers would be selling to grain companies, which have a much different mandate than the Canadian Wheat Board. Their mandate is to maximize profits for their shareholders. The Canadian Wheat Board mandate is to maximize selling prices for the benefit of farmers. Without the Canadian Wheat Board's single desk, Canadian wheat would lose its single recognizable brand, known and respected worldwide as a consistent quality product. In fact we have recently heard from an international buyer that the Canadian Wheat Board's consistent quality and delivery is irreplaceable and that without the Canadian Wheat Board they may look elsewhere to purchase their wheat.

There are those who say that the Wheat Board can still exist without the farmer monopoly, and I say that this is irresponsible and misleading. Without the single desk for wheat and barley, there will be no Canadian Wheat Board, just as without single-desk selling of milk or poultry there will be no supply management, and people should think about what the next step is. If you're taking one single-desk selling away, where is the next move of this government that could affect many producers?

The Canadian Wheat Board uses the elevators in the terminals and the infrastructure of its grain handlers, which are the grain companies. If these suppliers become the competitors, it is highly

unlikely that the Wheat Board, without its own infrastructure, would be able to compete.

It is important to note that there will be far-reaching repercussions to the loss of the Canadian Wheat Board, and not just to farmers. The effects will be felt by small grain companies and short-line railways and rural companies. In the communities, farmers will have far less spending power.

In Manitoba, the Port of Churchill will suffer the loss of its number one and, in some years, only customer. The Canadian Wheat Board ships through Churchill because it is cost-effective and provides more dollars for our farmers. In fact it's \$10 to \$20 of savings for farmers who ship through the Port of Churchill. The Wheat Board does not own facilities in other ports, as the grain companies do, allowing it to ship grain where it is most effective to do so. In many cases, for some farmers it is the Port of Churchill.

The Canadian Wheat Board focuses on what is the best deal for farmers and their customers. At a time when many rural communities are struggling for their existence, the Manitoba government will not endorse a policy that will have substantial negative impacts on our producers and could lead to the demise of a major community in the north. As well, we have to consider the serious, devastating effects this could have on the city of Winnipeg.

● (1550)

For those who are calling for more choice, I point out that through its board of directors the CWB has taken major steps to provide greater choice. The CWB has developed a variety of delivery and payment options; thousands of producers have committed more than 20% of their cereal crops through these marketing options, and these numbers are increasing each year.

I also want to address the notion that we will receive better access to the U.S. market without a farmer monopoly. Canada has endured U.S. trade action on hogs, on cattle, and on softwood lumber. If farmers start selling wheat and barley directly into the U.S., we know it won't be long before there is another trade action launched against us.

The federal government has been moving forward very quickly on the dismantling of the single desk. They held a round table consultation meeting in Saskatoon this summer; there, they consulted only with a small group of people who agreed with them. They created a task force with no representation from supporters of the single desk. The task force mandate is to look at how—not if, but how—to move towards an open market system.

I say to you that the federal government has also interfered with the Wheat Board directors' election by changing the voters list during the election process. They will tell us it is because of a committee recommendation that came in 2005. If it came in 2005, they did not have to make a decision during the election period and create confusion and give people a very complex way to go and get a ballot.

As they push forward, they are forgetting something very important—that the Wheat Board belongs to western Canadian farmers. It is up to the western Canadian farmers to decide if the single desk should be eliminated, not the federal government. It is written in the Canadian Wheat Board Act that farmers themselves should make the decision, and it is the democratic way in Canada. There must be a vote for the wheat and barley producers to make the decision.

I can tell you that Manitoba is calling for a farmer plebiscite on the future of the Canadian Wheat Board, and we are asking you as a committee to help us get that plebiscite for producers. I also want you to know that yesterday I announced that if the federal government is not going to facilitate a vote, then the Manitoba government will facilitate a vote for our producers, because we believe it's very important that they have a say. We are prepared to hold our vote because this is what the producers are asking for. Across the country producers are saying, no matter what the decision, they want to have the say on how the decision should be made.

This is a very important turning point in western Canada. Some may not think this is extremely serious, but I think we have to look back at history and look at what happened to the Crow benefit and what the impacts of the loss of the Crow were on the western Canadian producer. Once that benefit was gone, despite the fact that producers did not benefit, there was no way you could bring it back.

I say to you that the Manitoba government will stand firmly with our farmers and do all we can to ensure that their voices are not silenced. We will fight to preserve this important western Canadian institute, which has many benefits, but ultimately it is the voice of the producers that must be heard.

I just want to add that there is a perception that farmers are forced to sell their product to the monopoly, but you have to realize—and I think you do—that it is the farmers themselves who are the monopoly. This monopoly, the Canadian Wheat Board, and farmers are one and the same. If you remove that monopoly from farmers, you remove the Wheat Board as we currently know it today.

Mr. Chair, with those comments, I want to thank you for the opportunity to share the thoughts of Manitobans. I urge you to act on behalf of western Canadian producers and give them the opportunity to have a vote and make a decision, as the legislation says they should be able to.

Thank you very much.

• (1555)

The Chair: Thank you, Ms. Wowchuk.

We'll now move to Mr. Horner and his presentation.

Hon. Doug Horner (Minister of Agriculture, Food and Rural Development, Government of Alberta): Thank you, Mr. Chairman. It is very good to be here today in Ottawa.

I would like to start my comments by getting a bit of a feeling for the audience I'm speaking to. I would ask all members of Parliament who are not members of the Conservative Party but are representative of a constituency in the designated area to please raise their hands.

Okay, so there are none. I think the record should show that.

Hon. Wayne Easter (Malpeque, Lib.): Mr. Chairman, people are elected to represent their ridings, yes, and to govern for the country. When you make decisions in the Alberta legislature, because somebody does not live in the area where the decision is being implemented, does this mean that person doesn't have a say or a vote?

The Chair: Thank you, Mr. Easter.

Hon. Doug Horner: If that law was applied throughout the province.... Just to answer the question, Mr. Chairman, it's a valid question, and in the case of the example that was given by—

The Chair: Could we save the questions until the end of the presentation, and then certainly they'll be fulsome and—

Hon. Doug Horner: Certainly, but I think it's important to note that the law in Alberta applies to all Albertans, while the Canadian Wheat Board only applies to a certain portion of a designated area.

Thank you for including me in the proceedings today. As you probably know, marketing choice and the issues in the grain-handling and transportation system are very important to the Alberta government, and I believe they're critical to the future growth and prosperity of the agrifood economy. Needless to say, I am pleased that the current federal government has chosen to pursue marketing choice, but I am especially pleased with its demonstrated leadership thus far in following through on its commitments.

The federal government's actions clearly support the fundamental principle that individuals should not have different rights and freedoms based on where they live in Canada, and that these same individuals should be free to sell their products—the products they grew on their farm—to whoever they wish. I also believe strongly that the federal government's position reflects the business and economic case for change. It's focused on the future needs of the industry, not on the institutional structures of the past.

Alberta has a vision for our agrifood sector, one that has the support of those making a living in that sector. I'm confident this vision is aligned with that of my provincial counterparts around this table, and this vision is of an agrifood sector that's growing, profitable, sustainable, and enabling.

Participants in the agrifood value chain simply want the ability to prosper based on their management and entrepreneurial abilities. They want to do this free from the many undue regulatory, institutional, and other impediments that tend to plague agriculture in particular. We have conducted surveys in Alberta. They show a significant majority wants choice for wheat, and a larger majority prefers a fully open market for barley. I find it interesting that my colleagues from both Manitoba and Saskatchewan are pounding the table, figuratively speaking, that they would like to see a plebiscite, that they would like to see a vote in their provinces.

I don't have a problem with that, Mr. Chairman, because we did so in 1995, and none of our counterparts around the country rallied to our support when it was discovered that 67% of our producers wanted to have the choice as to whether or not they were in the Wheat Board. We've conducted other surveys more recently in Alberta and the support has not gone down. The Canadian Wheat Board surveys show that 54% want no single desk for wheat, 65% want no single desk for barley, and 60% say competition would bring them better prices.

I find it interesting that my colleagues would say that the Canadian Wheat Board cannot compete. If the only thing the Canadian Wheat Board has to offer is a monopoly, then I suggest to you the management needs to be changed, because they are consistently telling us how good they are. They are consistently telling us how many producers are signing up for this or that program.

If that's the case, Mr. Chairman and members of the committee, then the Canadian Wheat Board need not worry about farmers running away from them because their monopoly is gone. In fact they could end up with a rather large cooperative movement that only sells to them and still has a strength in the marketplace, as well as all of the branding that was discussed.

Even though surveys indicate a strong understanding among farmers that change is needed, surveys don't reflect the full story. They portray a static picture, one anchored to the present and subject to the limits of survey methodologies. My focus, the focus of my constituents, and now the focus of the federal government is on the future needs of the sector. Indeed, the focus must be on the future if we expect to grow and to meet rising competition from existing exporting countries, as well as the new emerging ones that weren't around when the Canadian Wheat Board was formed.

At the same time, Canada is developing new uses for wheat and barley, such as for the biofuel sector, as well as sustaining and growing the livestock feeding industries. The shift from commodity-based wheat and barley markets to more value-based usage is changing the way western Canada needs to approach grain marketing. The status quo is not tenable. It means inevitable, or shall I say accelerated, decline in our sector, and this applies to the farm sector particularly.

The evidence is that Canada's share of wheat and barley markets has been declining, while other products have held their own or increased. Wheat and barley production has been declining. Productivity gains in wheat and barley in Canada lag behind other regions and other crops. The share of farm revenue accruing from Canadian Wheat Board grains is declining. If the net benefits of the Canadian Wheat Board system were as high as some claim and, I suggest to the committee members, if you have a monopoly in a marketplace that's supposedly controlled, the benefits should be self-evident and large, not argued amongst academics. I have academics who tell me that the \$10 and \$13 are actually negative, not positive.

• (1600)

What are the characteristics that would define the requirements for the future? These are difficult to describe in full in the short period of time allotted, but perhaps I can list a few words that convey the direction in which we need to be headed. They include responsive,

nimble, quick, innovative, productive, cost-effective, consumer-connected, diversified, structured for competitiveness, global, and encouraging investments and new ideas.

Frankly, the current system for wheat and barley in western Canada is not accommodating these requirements, in some cases not at all. The evidence confirms this as well. This is not just because of the CWB, although it is a factor. It has to do with the entire system, from marketing through to grain standard setting and control. Of particular concern in Alberta are impacts on the value chain and the constraints on value-added.

For example, we have a surplus of malt barley at the same time as malt plants are establishing just south of the U.S. border. I personally have sat with the chairman of a very large malting company out of a South American country, and when I asked him why he located his plant just south of us in the United States, he stated unequivocally that he did not want to have a single supplier in the Canadian Wheat Board.

Durum processing capacity is increasing in North America, but not here. Investors are wary of the lack of surety posed by dealing with a single desk. They're also concerned about managing their supply chains in a monopoly situation.

I can tell you, members of the committee, as a value-added—

• (1605)

The Chair: Mr. Horner, we've lost translation for just a minute, apparently.

Hon. Doug Horner: The point I was trying to make is that we have an institution that was designed, built, and structured so that it would be an exporter of raw materials to the world. The vision of agriculture that we have in Alberta is that we do not want to export raw materials to the world. We want to export value-added products and have our producers have ownership in that value chain.

Put simply, we're not capturing the full potential from the value chain in the province. Rather, we are exporting that value, the product of a traditional and outdated commodity orientation. These examples and trends point to a Canadian Wheat Board system that is unable to meet the requirements for the future that I've outlined.

I know the inevitable comments are going to come. What about the farmers? What about the benefits of the current system to Canadian farmers? These will be lost and farmers will not be able to function in an open market situation. They will be victimized by the large multinationals, the U.S. boogymen.

I have looked at some of the many and varied numbers put forward. From what I know, they range from hundreds of millions of dollars in benefits per year to a net economic loss of almost \$400 million. Given the range that I see, and given the assumptions that must be incorporated in doing the analysis in the Canadian context, the only conclusion I can draw is that the numbers are inconclusive. Again, I state that if it's a monopoly and the evidence is not plainly visible, then something's wrong.

Probably the high variability is due to the underlying assumptions that have always been involved. No economist is going to be able to resolve this issue. One thing that puzzles me, though, is how a system that supposedly produces such huge benefits is generating declining production and revenues for farmers.

Along this line, I'm compelled to mention other crops and products outside the Canadian Wheat Board statutory system. Canola has experienced huge success, and although I hate to say it, it is attracting huge investment in Saskatchewan and Manitoba. We're hoping to change that.

While we debate the Canadian Wheat Board issue, open market crops are moving forward at a rapid pace. Cattle, hogs, and other products all operate successfully in the global markets.

Our farmers are not stupid. They know how to be entrepreneurs and they know how to market their grain. They don't need to be told how to. If they choose to form a cooperative that only they sell to, we have no problem with that. In fact, we are encouraging it. But a state-wide monopoly that does not allow the choice for someone not to do it is un-Canadian.

How will the farmers function under a choice environment? The answer: as they do already in canola, in oats, in cattle, in hogs. I have full confidence in the ability of our farmers to adjust to that. Certainly there's going to be some transition time needed to get price discovery and other mechanisms in place, to enable some to make adjustments, but we can do it. The biggest adjustment required will be by the CWB, because the CWB has said it will not be the same entity in a choice environment. I believe it will be better. I believe that we'll have to compete for farmers' grain, and I want grain companies to compete for farmers' grain, because that's better service to the farmers.

How the CWB chooses to organize and structure itself can be up to the board and all of us at this table. At the very least, in my view of marketing choice, the Canadian Wheat Board must provide the opportunity to be a successful player.

I understand that the mandate given to the task force is to address some of those transition-type issues. We believe in Alberta that the Canadian Wheat Board can adjust. Alberta has conducted a number of studies that outline options for transition and provide examples of successful transition. I would encourage you to read the entire studies, not just one page and one line taken out of context.

Before I conclude, I would also like to take this opportunity to raise the issues around grain transportation. Shippers in the western provinces are very concerned about the level of service being provided by the railways and shippers' ability to hold the railways accountable for service levels. These problems are particularly severe for CN shippers.

I understand that Minister Cannon will be introducing, on a priority basis, a bill to deal with rate provisions of the Canada Transportation Act. To resolve shippers' concerns, the railways must be given a sufficient incentive in the legislation to participate in an effective commercial dispute resolution process that includes service disputes.

Accountability for service levels is very one-sided in favour of the railways. Besides legislative changes, there is a need for a special review of the level-of-service provisions in the act to identify redress measures that are easier to access, inexpensive, timely, and effective in correcting service problems. I ask that the members of this committee use their considerable influence to support these measures.

• (1610)

I wanted to touch briefly on some other issues around the Canadian Wheat Board and who is going to stand up for the farmers. I can tell you who will stand up for the farmers in Alberta, and that's the Government of Alberta. I can tell you who speaks for the farmers in Alberta when it comes to transportation issues and issues of trade, and that's Government of Alberta, because that's who it should be.

I have listened to our producers in Alberta. On a consistent basis they are telling me they want to expand their value chains and their value-added. They can't do that right now.

On a personal note, Mr. Chairman, as I close, I'll give you an example. My family started an oat and barley processing facility in 1987. We would have located that oat facility in Montana had oats not been removed from the board, for all of the reasons I have listed above. Oat processing in western Canada has grown, and we are now a very large shipper into many marketplaces because we grow the best oats in the world, and farmers have reaped the benefit of that.

Thank you very much for the time, Mr. Chairman.

The Chair: Thank you, Mr. Horner.

Before we move on to the questioning, I'll remind you gentlemen again that I'm going to insist on decorum when you're asking questions. With the television cameras running, it tends to go sideways with us in question period and so on. If anybody steps over the line, I will send a copy of the tape to your mother and we will have her assess it.

We'll start with Mr. Easter, for seven minutes.

Hon. Wayne Easter: It won't do any good sending it to my mother. She's not around, Mr. Chair.

• (1615)

The Chair: I'll find somebody, Wayne.

Hon. Wayne Easter: My thanks to all three of you ministers for coming.

The governments of Saskatchewan and Manitoba certainly seemed to outline how far this government would go. I don't think there's any question that this Prime Minister has almost a visceral dislike for the monopoly power of the Canadian Wheat Board, which does empower primary producers. Everything we've seen to date shows that he will go to the limit of illegality to get rid of it. We've seen the stacked task force. We've seen a voters list being changed in the middle of an election. You folks outlined a number of those points.

I think the key question is why the opponents of the Canadian Wheat Board are so afraid to allow farmers a vote on whether or not they support the marketing institution in terms of single-desk selling. That's the key question. Why are opponents of the Canadian Wheat Board so afraid to allow farmers to have a voice on this issue through a democratic vote, as dictated under the Canadian Wheat Board Act? That's question one, Mr. Chair.

Moving to Minister Horner's statements, there's a central question. I've listened to Mr. Horner before in other venues and we've had our set-tos. We've heard a lot of hypotheticals—and that's what we continually hear from those who want to take away single-desk selling: hypotheticals—and that their evidence confirms. Well, where is the evidence of these people who oppose the board?

There's a lot of evidence on the side of the benefits. We've heard a lot about Australia and the changes there. Even in your own study, Minister Horner, JRG Consulting must have been trying to come up with the answers you wanted, but even they confirm this: "The majority of growers opposed, and continue to oppose, further change in wheat and barley marketing arrangements, implying a continuation of support for the single desk concept." That's in Australia.

The central questions that were not designed to be answered by this study remain. That is, what are the benefits of single-desk premiums arising from the current Canadian system? The dilemma is this. We know what the losses will be, and we have studies confirming them, but we don't know what the benefits will be if we undermine single-desk selling.

I wonder if the ministers would answer those questions.

The Chair: Thank you, Mr. Easter.

Mr. Wartman, I'll start off with you, and then we'll work our way across the panel.

Hon. Mark Wartman: I think the first question was why the folks who are opposed to it are opposed to the Canadian Wheat Board. When I look at this, I see why grain companies and grain marketers will be opposed to the Canadian Wheat Board. Their goal is to maximize the profit and the return, if they're publicly traded, to their shareholders or to their owners.

The clear direction, goal, or focus of the Canadian Wheat Board is to maximize the return to the primary producer. They are the marketing agency for the primary producer—not for the shareholder, not for the corporate board, not for the owners, but for the primary producers. My friends, if they do not get the return from their product, they're back here for CAIS payments and income stabilization.

You can pull the numbers out, but I can tell you that the best numbers that we get tell us Saskatchewan would be looking at a loss annually of between \$256 million and \$327.5 million. You tell me why any farmer looking at the facts would want to lose that premium. The only reason others want that premium gone is that they want to capture it. The major companies want that wheat, barley, and durum trade in the world, and they want to capture that return for their shareholders. They don't give one hoot about the primary producer.

Do you want to know why the value-added people wouldn't come in to Saskatchewan, if they didn't?

A voice: But they did.

Hon. Mark Wartman: I can tell you that I also have numbers on the fact that we have seen more development here. There has been more development proportionately than what they get across the U. S. border, where things are supposed to be open and free.

Over the past fifteen years, the Canadian milling and malting capacity has grown while U.S. capacity has declined. In western Canada, milling capacities have increased over 60% since 1990. Western Canada now has 34% of Canadian wheat milling capacity. By way of comparison, six U.S. northern tier states—North Dakota, South Dakota, Montana, Minnesota, Idaho, and Washington—have 16% of U.S. capacity. The malting industry in western Canada has nearly tripled in size over the last two decades. Let's deal with the facts. It now has over 75% of the total domestic malting capacity in Canada.

But why might some choose not to come where they might have to deal with the Wheat Board? Because they can't exploit the primary producers. They can't make them bargain for the lowest price, and that's what it's about. It's about a marketing agency that is there for primary producers, trying to get the very best price, and they do not keep it for themselves. And contrary to what, I'm sorry, some farmers even think, they don't hand it on to the government to spend through their general revenue fund. That return goes to the primary producer.

The Chair: Ms. Wowchuk, Mr. Easter's time is up, but we still have to go across the panel, so we'll bear with you.

Hon. Rosann Wowchuk: Thank you very much.

I want to take a couple of minutes as well.

We talk about the Canadian Wheat Board as if there's some great monster out there. The Canadian Wheat Board is the producers. It is the producers who are the monopoly, and they are the ones who benefit from the Canadian Wheat Board.

Why do people want this changed? I'm not sure. People have not stated clearly why they want the Wheat Board to change, they have not stated clearly why they will not allow the producers to have a plebiscite, and that's a very serious concern. The legislation says producers should have the right to a vote if there is a major change, and the federal government is ignoring that, as if they have the mandate to make changes, which in reality they do not.

Who will benefit from this? Just as Minister Wartman has said, if we make these changes, it is the grain companies that are going to benefit. And there is proof. People will say there is no proof. There have been studies done, showing us that indeed the premiums the Wheat Board captures bring more money into our prairie provinces and give a greater return for our producers.

If we lose the Wheat Board, the issue will be back concerning how we are going to keep the farmers' revenue up. It is going to be governments paying out through farm aid programs, through CAIS. As a farmer, I would much rather get my income from the marketplace. That is what we want to do, and the Wheat Board has served people well here.

I also want to say that I would have to disagree with Minister Horner and agree with Minister Wartman that the fallacy of value-added not growing is not true. Through the 1990s, malting capacity increased by 75%, by almost half a million tonnes, with the majority of the growth occurring in the Prairies. Over a 10-year period malt exports doubled. Wheat milling capacity has increased 28%, compared to only 14% across the border, where they have this free market system. A third of our major milling capacity is on the Prairies, while only 17% of U.S. milling capacity is located in U.S. communities right across the border.

So to say that Wheat Board does not allow for value-added is in fact misleading.

● (1620)

The Chair: Thank you.

Mr. Horner.

Hon. Doug Horner: Thank you.

I want to comment about a couple of comments I've heard, not only from Mr. Easter but from some of my colleagues, and that is on this tie-in and this fear mongering about supply management. That quite frankly is irresponsible. You cannot tie the two together. The two organizations are totally different. Just as the federal Conservatives promised, I have promised to stand up for our supply-managed sectors and to help them. The tie is simply irresponsible.

The other thing is being afraid to allow the farmers to vote. Again, I take exception. Gentlemen, we had a vote. Mr. Easter, I believe you were in government at the time and you disallowed it. You told us it wasn't a valid question. I submit to you, Mr. Chairman, that a fundamental right any Canadian should have is to be able to opt out of a mandatory system that says I must sell to you even when I disagree that you give me any value at all. That fundamental right should be upheld, not only for the Canadians in our designated area but for all Canadians. Certainly for those of us who have to live and try to build agriculture in the designated area, that fundamental right must be restored. I applaud this federal government for bringing that fundamental right back to us.

With respect to value-added and the increase in malting, a lot of that malt is "moved business". I would also suggest that it is very difficult for a wheat flour mill in Canada to export because of the domestic pricing policies of the Canadian Wheat Board. I would rather sell that high-quality wheat in a frozen dough form or a flour form, because the more marketplaces we open up in-country in the value chain for our producers, the better off we are. All of my colleagues have agreed with me on that position many times. We need to open up opportunities for our producers, not close them down.

When you talk about income from the marketplace, I agree. Our producers have enjoyed income from canola and oats over the last

few years. Had they not, our support payments would have been substantially higher. The wheat and barley returns to producers have been declining. That is a fact. With canola and oats, the returns to our producers have been increasing. And the evidence, gentlemen, is very simple; it's in the acreage. Look at the growth in the canola acreage.

What moves farmers to grow something? It's the price they get. When a farmer from North Dakota is getting the same price for wheat as a farmer in Peace River, what's the point of having a monopoly that he can't sell to? When a small independent grain company has an opportunity to ship barley to Dubai, but he can't because he's priced out of the marketplace, even though he has the originations and the farmers wanting to do it, that's not only wrong, it's criminal. It's shutting down an industry. It's keeping us where Brazil, the East Bloc countries, and all those other emerging growers are going to blow by us in a heartbeat. We need to move on. We need to grow our industry.

Your committee and the Government of Canada are to be commended for moving forward with growing the agricultural industry and not keeping us as serfs to an entity. I ask for freedom.

● (1625)

The Chair: Thank you, Mr. Horner.

We'll move on to Mr. Bellavance.

Let's keep our questions tight and our answers without the editorialization, and we'll get more questions in.

Mr. Bellavance, for seven minutes, please.

[Translation]

Mr. André Bellavance (Richmond—Arthabaska, BQ): Good day, Madam, ministers. I'm truly delighted to meet with you today, especially as you are in the best position to speak to us about the Canadian Wheat Board.

I'm from Quebec, Mr. Horner. You made a rather impassioned presentation, in my opinion, but regardless of whether one comes from Prince Edward Island or Quebec, that's no reason for farmers and producers not to stand united. I was talking yesterday with officials from the Quebec Union des producteurs agricoles who were on hand to testify about the Canadian Wheat Board and that's precisely what I was told, namely that farmers stand united.

We were democratically elected to serve and we can legitimately review all matters submitted to the committee for its consideration. If we failed to do so, we would, quite naturally, be accused of not doing our job. Hence our interest in these matters.

Earlier, Mr. Horner, you said that you were a proponent of freedom of choice. We often hear the federal Conservatives say the same kind of thing. I admit that I also support freedom of choice, but to the extent, however, that farmers should be free to choose how they want to deal with the Canadian Wheat Board and what marketing tools they wish to use.

You're telling us that the Alberta government knows what's best for farmers in that province. We often hear the expression: Ottawa knows best. Your provincial government is sending out the same message to your farmers back home.

Why would you object to a referendum on the relevance of the Canadian Wheat Board, as suggested by the majority of members on this committee? No doubt you're aware of this motion tabled by Mr. Easter. I think it's important for your farmers back home to know exactly where you stand on this issue. Why not hold a referendum?

[English]

Hon. Doug Horner: In fact, we did hold a referendum in 1995, and we've also continued to tap into the surveys of producers across the province. For the information of the committee, the referendum in 1995 was a 67% vote for choice. Indeed, the support for choice amongst barley growers in Alberta, even as late as this year, is well above 60%. The support for choice in wheat is well above 55%.

You ask me if we would have a plebiscite on the Canadian Wheat Board. It's the same question as Mr. Easter asked. If you're going to give me a question that says, either you want the Canadian Wheat Board or you don't want the Canadian Wheat Board, that's not our position. Our position is, do you want to have the choice to belong to the Canadian Wheat Board or to do your own marketing? That's a fundamental right.

Our position has always been that the Canadian Wheat Board has told us time and time again how good it is. They have told us about the branding they do, the marketing expertise they have, and the information expertise they have. They've told us that all of these things make them a very good organization. As was mentioned by one of my colleagues, all of the new offerings they've made have thousands of farmers signing up. If that's true, why are they afraid of choice? Why are they afraid of being a competitive player in the marketplace?

You talked about a plebiscite. Quebec has a lot of sovereignty in terms of some of the decisions they make in regard to marketing boards and other things. That's fine. But this vote should be in Alberta, and this vote should be by Alberta producers on a question of choice, and it should be based on how much skin they have in the game.

I think it's interesting. The shareholders in the Canadian Wheat Board are producers, so let's not try to scare everyone by saying that the business is bad and farmers aren't business people. Farming is a business. It's a way of life, but it's also a business. In most cases, it's a family-owned business; 97% of the farms in Alberta are family-owned. I am not representing big business; I'm representing that 97%. I'm representing those farmers who have told me they wouldn't mind building a flour mill and exporting that flour to Central America. They can't do it competitively right now because of the

purchasing rules and regulations the Canadian Wheat Board has on domestic pricing. I know. I used to be in that business.

You asked me what I'm afraid of. What are they afraid of? Are they afraid they can't compete?

• (1630)

[Translation]

Mr. André Bellavance: Ms. Wowchuk, I read in the newspapers today that you were prepared to hold a referendum in Manitoba. Mr. Wartman and you also made some very interesting comments about supply management.

Personally, I've probably been the target of more attacks than my colleagues from other parties, because I've expressed the concerns voiced in Quebec about the Canadian Wheat Board, which is a collective marketing tool, much like supply management. I didn't draw comparisons and claim that both mechanisms were identical. Rather, I stated that there are two collective marketing tools in Canada, namely the Canadian Wheat Board and supply management, both of which have been under attack for some time now at the WTO, the World Trade Organization, and in particular from the United States and the European Union.

My question is this: if the Canadian government strips the Canadian Wheat Board of its powers, what will it do next?

However, I am happy to see that we share the same view, because I'm hearing from the office of the Minister of Agriculture and Agri-food that the Bloc's allegations about supply management are false and ridiculous. Even the parliamentary secretary got involved, and he doesn't tend to issue many press releases. He even claimed that it was irresponsible to lump together such different issues as supply management and the monopoly of the Canadian Wheat Board. He went on to add that associating the two was blatant demagoguery.

I'm rather indifferent to these attacks, because I claim to defend the interest of Quebec producers. I've listened to them and I'm reporting what they had to say. I'm happy to see that you have the same concerns in Western Canada. In fact, you are in a better position than I am to know this file.

[English]

Hon. Rosann Wowchuk: You are right, we have announced that we really want the federal government to hold a plebiscite, because we think they have that responsibility under the act and it should be held. But we have said that if the federal government will not do it, then we will give a voice to Manitoba producers and we will look at how we can have a plebiscite to give producers a voice.

You raised the issue of supply management and orderly marketing. People can say they aren't tied, but in reality they are. Both supply management and the Canadian Wheat Board involve compulsory marketing of their commodities through an orderly marketing system, and they work for the benefit of their producers.

I really believe that a philosophy that attacks the Canadian Wheat Board also attacks all orderly marketing systems, such as supply management. This is a time when we've just come through failed WTO talks. When we were there, when Canada was there, we were defending supply management and defending the Canadian Wheat Board. Those talks failed, and if the first step that the federal government takes is to attack the Wheat Board, it sends a very dangerous signal to our competitors around the world.

• (1635)

The Chair: Mr. Horner, did you have a comment on that?

[Translation]

Mr. André Bellavance: I would have liked to hear from Mr. Wartman.

[English]

The Chair: We'll hear Mr. Wartman first. They're your seven minutes.

Hon. Mark Wartman: Thank you.

You have heard me say several times that we believe a plebiscite should be held, that it is the democratic and right thing to do. But any plebiscite or any survey question that is asked needs to be clear, honest, and honourable. That means it has to respect the best evidence that we have. The best evidence that we have tells us very clearly that a Canadian Wheat Board will not survive, it will just become another grain company if it does not have the single desk.

It took years to put this together. If the single desk is lost, it will never be replaced. It cannot be replaced. You can't go partway. So the question, to be honest and honourable, really does need to ask, are you in favour of the single-desk Canadian Wheat Board or not? That is clearly the evidential choice that farmers should be able to make. Any kind of twisting and turning and manipulating of information that does not allow them a straight, clear, honest, and honourable question is anti-democratic.

I am convinced that you must come at it from a philosophical position. I can tell you from conversations with many of the people who are farming and do not like the Canadian Wheat Board that they'll say they don't care about the economics of it; it's the philosophy.

In a democracy, we have a right to organize ourselves in a variety of different ways. With a lot of work historically, farmers chose to be organized in this way and got the support of their government to be organized in this way. This is a democratic structure, it is not anti-democratic. People do have a right to be involved in this board.

[Translation]

Mr. André Bellavance: The government claims that the Canadian Wheat Board will nevertheless continue to exist. If that's true, do you believe the two systems, namely voluntary marketing and collective marketing, can co-exist and be viable?

Quebec has had some experience with voluntary marketing systems. However, attempts at having both systems co-exist have always failed. The last attempt was during the 1990s. As I mentioned earlier, we heard some rather eloquent testimony yesterday on this subject. A study was carried out on different products such as potatoes and apples and the findings showed that two separate marketing systems cannot co-exist.

Based on your experience, do you think this scheme can work, as the government claims it can?

[English]

The Chair: I'll ask you to respond to that in a short way. We're way over time, gentlemen and ladies. We want to get through the questioning. Thanks.

Mr. Wartman.

Hon. Mark Wartman: Very briefly, no. With all the evidence we have seen, the best analyses of our economists tell us very clearly that they could not coexist. You either will have a Canadian Wheat Board or you will have another grain company. And I don't care what you call it. You can call it the Canadian Wheat Board, but it's just another grain company. And without assets and without a port facility, which it would not have, it would not be competitive. The key marketers who are there would be in high demand by the grain companies. They would be quickly taken over. They couldn't operate.

The Chair: Ms. Wowchuk, do you have anything else to add?

Hon. Rosann Wowchuk: No.

The Chair: Mr. Horner.

Hon. Doug Horner: There's a lot of discussion here about our best information and all those sorts of things. Just as I was accused of coming up with various pieces of information, there's no proof in any of the numbers that are being espoused that the Wheat Board would be in demise if they lost their monopoly.

Again, I go back to the fact that if you have producers who want to choose to form that collective—and the potato growers are a good example in Alberta—it does happen and it does work in tandem. If you have producers who want to have that clout and be a part of that collective, I am not opposed to that at all. I think they should have that opportunity. But they should also have the opportunity to say no, to be able to say that they want to do their own marketing for their products on their farms. Currently they do not have that option. They do not have the ability to do the entrepreneurial things that developed our grain industry.

What are we doing when we talk about protecting the Canadian Wheat Board? Or are we trying to protect the future of our industry? I would suggest to you that we do not need to protect the Canadian Wheat Board as an entity, we need to grow the future of our industry, because that will give sustainability to those farmers. That's really where we need to go: sustainability, so that they have income and gain their income from the marketplace, just as Minister Wowchuk said and just as canola growers do it today.

The other thing was supply management, Mr. Chairman, if I may.

You are talking about supply management within a closed market system. You're talking about a control of the supply, which is not the case with the Wheat Board. You're talking about provincial legislation and provincial jurisdiction in many cases, and that does not happen with this Wheat Board. It's important to note that there are severe differences between supply management and the Canadian Wheat Board, and to tie the two is only to try to scare producers for no good reason.

• (1640)

The Chair: Thank you.

Mr. Miller, on a point of order.

Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC): It's a point of order on procedure, Mr. Chairman.

This is a very hot topic. I understand that. We're here to discuss and ask questions of our witnesses. But it's to be a discussion, not a debate. I feel, Mr. Chairman, that it has devolved into that.

We have a timeline set, and to go over a little bit is acceptable. But I would respectfully say to our guests that we heard their stance on the Wheat Board in their forward comments. They're quite clear. We know. If we could keep our questions as brief as possible, that's up to us as committee members, but if I could, I would ask our guest to please keep as much rhetoric out of it as possible and to answer the questions as directly as possible, because, Mr. Chairman, most of us here aren't going to get a chance to ask our questions otherwise.

The Chair: Thank you, Mr. Miller.

Mr. Wartman.

Hon. Mark Wartman: Mr. Chair, in terms of the timing, could I ask if you would help us? Could you give us a flag when you'd like us to wrap up quickly? I would find that helpful, because I don't want to take up the time of—

The Chair: That's fine. I'm trying to give everybody as much opportunity as they can to explain their point. Maybe I've been a little too lenient, and I'll take the hit for that.

Mr. Thibault, on that point. Please be very short and succinct, or I'll wave.

Hon. Robert Thibault (West Nova, Lib.): Yes, on the same point, I agree with Larry. Further, I think the three panellists have made their positions clear. As questioners, we can ask the questions to whichever witness we wish, not necessarily to the three and have to be answered by the three, because sometimes a questioner might want to come with a second question.

The Chair: Okay, point out who you want the question directed to. I won't allow anybody else to comment on it. Is that your point? All right.

Mr. Anderson.

Mr. David Anderson (Cypress Hills—Grasslands, CPC): Ms. Wowchuk, do you recognize Alberta's plebiscite as being valid?

Hon. Rosann Wowchuk: Alberta had a plebiscite. What I'm looking for is a national plebiscite for producers across the country.

Mr. David Anderson: Do you recognize theirs as having validity?

Hon. Rosann Wowchuk: Alberta's question was not the one I would ask.

Mr. David Anderson: But do you recognize the validity of their plebiscite?

Hon. Rosann Wowchuk: Alberta has the ability to hold a plebiscite, just as we will. But we will form a more unbiased question.

Mr. David Anderson: I'm sure you will. But do you recognize their plebiscite as being valid? Yes or no.

Hon. Rosann Wowchuk: Alberta can have a plebiscite if they want to. But I want a plebiscite for all producers across the country.

Mr. David Anderson: What voters list do you intend to use? I understand that if the Wheat Board gives you their list, that's breaking the law. How do you intend to formulate a voters list?

Hon. Rosann Wowchuk: We will develop our own voters list.

Mr. David Anderson: How?

Hon. Rosann Wowchuk: We have lists of producers in the province, and we will be using our own lists. We will not be using the Wheat Board list.

Mr. David Anderson: Do you intend to go to grain producers? Are you going to go to everyone who has an interest in the grain? What group are you going to be taking on?

Hon. Rosann Wowchuk: We're looking at the details right now. What we want to do is give a voice to grain and barley producers in the province.

Mr. David Anderson: How much money have you committed to your Wheat Board fight? You said you were absolutely opposed to change and would not endorse a policy that would change the single desk. What have you budgeted for this fight?

• (1645)

Hon. Rosann Wowchuk: Our budget will be minimal. I can tell you we will not be spending anything like the \$1 million that was spent in Alberta over four years. We anticipate that this will cost less than \$2 per voter. We haven't got the details.

Mr. David Anderson: How many voters will you have?

Hon. Rosann Wowchuk: Close to 8,000.

Mr. David Anderson: A total of 8,000 voters.

Hon. Rosann Wowchuk: There are about 8,000 wheat and barley producers in Manitoba.

Mr. David Anderson: Mr. Horner, do you know how big your survey was?

Hon. Doug Horner: Actually, I don't have those numbers in front of me. When the survey was brought up, I mentioned that I know the results.

Mr. David Anderson: I want to come back to this cost-benefit thing. It's been interesting sitting here, because we've heard numbers that have ranged quite a bit. We heard that the board can give a benefit of \$200 million; then it was \$500 million. Somebody has come up with \$525 million to \$565 million. It went to \$820 million yesterday, then to \$852 million. I'm waiting for somebody to bid \$1 billion. But we've also heard that the board does not bring a premium. We have studies to indicate that it costs producers \$15 to \$22 a tonne, that it costs up to 15,000 jobs in western Canada.

Mr. Horner, what do you think you will be able to do in your province if choice is given? What's going to happen there? What opportunities does that provide?

Hon. Doug Horner: We're currently on new generation cooperatives in our biofuels and beef-packing facilities. I believe there are opportunities for new generation cooperatives. These are producer-owned venture capital companies that would invest in the value chains they're going to be in. It could be a biofuel plant, ethanol or diesel, or it could be a wheat flour plant. In the future, you could be looking at a pasta plant. You would look at everything involved in the export of these products.

Mr. David Anderson: So you see an opportunity there.

Hon. Doug Horner: I see huge opportunities.

Mr. David Anderson: Mr. Wartman, were you serious when you said that you didn't want producers appointed to the board?

Hon. Mark Wartman: I was very serious. I want to make sure that the producers are elected, as they have been in the past, and that people are appointed to the board for particular expertise that will help the board fulfill its function of maximizing return to producers.

Mr. David Anderson: I'm disappointed in that. We want producers to be able to manage the board, and we don't have a problem with appointing them. I think it's a good idea.

Your department got caught writing news releases for a new farm lobby group. I think it's called Real Voice for Choice. Can you tell us how much you've budgeted on the Wheat Board issue?

Hon. Mark Wartman: I'm glad you raised that question, because I'd like to clear the air. We try to help farmers in a variety of ways. One of the ways is to offer them space for meetings. Our staff is very accommodating, and occasionally they'll run faxes for people. The cost on that would be roughly \$15. Our work to date has basically been time spent meeting with people. We don't have a draft budget. But I can tell you it will be far less than the \$1 million the Alberta government spent on their anti-Wheat Board activities.

Mr. David Anderson: We'll see that. We'll see when we're done.

I'm wondering why your staff told us they weren't involved in writing that document when we called.

Hon. Mark Wartman: They may not have been involved in the writing of it. They facilitated by providing some facts.

Mr. David Anderson: It was an SAF document. We know that.

Hon. Mark Wartman: No, you don't.

Mr. David Anderson: Yes, I do. That is where it was generated.

Hon. Mark Wartman: It was put together by the folks from Real Voice for Choice. They may have had some assistance from people who are involved in Saskatchewan Agriculture and Food, and I'm proud of them if they did help them out. Is there a problem with our people, who are there to help farmers, helping farmers?

Mr. David Anderson: There's a problem when you're taking up issues with particular organizations and not being clear with people about what you're doing.

Hon. Mark Wartman: We are being very clear with people about what we are doing and why we are doing it. We have not hedged in any way. I have not equivocated at all on this issue, nor has my government, nor has the department.

Thank you.

Mr. David Anderson: You're not representing half your producers, and I think you're aware of that because you've taken—

Hon. Mark Wartman: You don't know that. In fact, you may not be representing 75% of your producers in your particular area, according to what some of the farmers in your area tell me.

Mr. David Anderson: According to the Wheat Board's own surveys, 55% of the farmers across western Canada want choice. We know it's higher in Saskatchewan and we know it's higher—

Hon. Mark Wartman: It depends on how it's painted. If you believe that, have a plebiscite, a fair and honest and open plebiscite.

Mr. David Anderson: For me, the issue is not about a plebiscite. The issue is the ability of people to do their own business, to have the freedom to do their own business when they choose to do it. I've been consistent on that position for a long time.

Hon. Mark Wartman: David, we have a democratic structure here that is legally constituted. There is nothing wrong with having a legally constituted structure, and within that structure there are all kinds of freedoms. Farmers have choice. They can deliver feed wheat anywhere they want, feed barley anywhere they want. They can sell into markets. They can engage in a producer-direct context. They can do basis—

• (1650)

The Chair: Let's have some order. Questions and answers, please.

Mr. David Anderson: Mark, you know you're not being accurate, because these folks don't know how the Wheat Board operates. The Wheat Board offers contracts and they take the premium off the top on each of those contracts. The farmers pay a penalty because they have to deal with the Wheat Board.

Mr. Horner understands this, so I'll ask him to explain it from his perspective.

Hon. Doug Horner: One of the things that drove me nuts as a primary processor and a producer many years ago was the fact that I had to sell my barley to the Wheat Board and then buy it back to reprocess it. That in and of itself is a ridiculous system to have.

I have to respond to Minister Wartman's comments with regard to the democratic, or duly constituted, or voted-on Wheat Board. It was never voted on that Alberta be a part of the Canadian Wheat Board. This was shoved upon us in the early thirties to ensure cheap wheat for the war effort. So let's not paint a rosy picture about how the Canadian Wheat Board came about. The Canadian Wheat Board came about because of the war effort, and that is it in a nutshell, for cheap wheat. That's why it was established: to ship raw material, not to encourage value-adding in the province.

And the honourable Mr. Anderson is exactly right, the premiums can range, depending upon whose study you've looked at. The Saskatchewan government has done some numbers that now claim—and this is different from before, but \$256 million to \$375 million a year is quite a spread. I have no idea how those numbers were arrived at.

But things like the interest earned by the Canadian Wheat Board is accounted for inaccurately and goes against its administration charges, so when you talk about what it costs the producer, let's be honest about those costs. They haven't been, because they've been spending a lot of money selling themselves.

So when you talk about the \$1 million that the Alberta government has spent over the last three years, I'm not even sure if that's an accurate number. I can tell you that the policy of the provincial government is to give our producers the fundamental right to choose and I don't apologize for that. I don't apologize for the third party studies we have initiated. We've not done a lot of the stuff in-house because, quite frankly, as you gentlemen and ladies have seen, it's a very complicated issue. If the monopoly is providing that much premium, why is it not self-evident? Why is there even a question about it?

The Chair: Thank you, Mr. Horner.

Mr. Atamanenko or Mr. Martin. Who is going to do the first round?

Mr. Atamanenko, please, seven minutes.

Mr. Alex Atamanenko (British Columbia Southern Interior, NDP): Okay.

Thank you very much for coming.

I'm going to try to be brief. I have two questions, and hopefully we can get through them with some quick answers.

We seem to be talking a lot about freedom—freedom of choice. We have this idea of freedom of choice. It's kind of a philosophical question that I think we have to get at.

There's evidence to say that collectively we in Canada have benefited in agriculture. This was brought home to me when I met with the president of UPA from Quebec last week. By the way, he is going to Manitoba to talk about the benefits of the Canadian Wheat Board. Obviously there is a solidarity here. We see some link between supply management and the Canadian Wheat Board, otherwise those people probably wouldn't be travelling all this way to talk about it.

In Quebec, people have benefited. Their agriculture has been strengthened by the people working together collectively. This has happened with the Canadian Wheat Board and prairie grain farmers. Apparently New Zealand wants to get back to single desk for kiwi selling, because apparently dual marketing hasn't worked. Quebec people are telling us—and André has mentioned it—that they want to get back to some collective way of doing things.

So it's a philosophical question. Given the U.S. pressure in today's world, the WTO, and other countries wanting us to weaken our state trading enterprises, if we see this is a threat—and it is a possible threat—should a small minority of people who want this freedom have that choice to the detriment of the collective majority? I think this is what we're looking at. Sure, it's this kind of rugged individualism, but should we allow someone to say, to heck with the Wheat Board, I'll do what I want and it doesn't matter what happens to those other farmers who have this collective choice? It's a philosophical question, and I hope you understand.

I just want an answer before we move on. Mr. Horner, please

•(1655)

Hon. Doug Horner: I guess I would ask the honourable member, Mr. Chairman, if he believes that 67% is a small minority. If that was the collective voice in his constituency, would he believe he should do that or what the 33% are asking him to do?

In our province—and I can't speak to plebiscites or votes or surveys that may have been done in Manitoba or Saskatchewan, but I can speak to the 54% that the Canadian Wheat Board survey came out with—the large majority of our producers want to be able to say they are either part of that collective group or they are not. I think they have a fundamental right to be able to do that.

We jailed Canadian farmers for selling what they grew. The charges were on the wrong side, folks.

Hon. Wayne Easter: Did they break the law?

The Chair: Okay, let's move on.

Ms. Wowchuk.

Hon. Wayne Easter: They did. They broke the law.

Hon. Rosann Wowchuk: Thank you very much.

You started out talking about supply management and the Wheat Board and the WTO. I think it's very foolish on our part, at a time when other countries are looking to dismantle our orderly marketing system, that we would say, oh, we're just going to give it up.

I've lost your question. You talked about New Zealand looking at orderly marketing. Somebody asked about how supply management has.... God, I'm going to let Mark go here, because I've lost my...I've got so many notes in front of me about things that I've—

Hon. Doug Horner: Do you want me to organize those for you?

Hon. Rosann Wowchuk: No, no. I don't want your notes.

A voice: Doug will speak for you.

Hon. Rosann Wowchuk: I will not let Doug speak for me.

It's about producers having a say; that's what this is about. Producers want to have a say about whether or not they dismantle. I think the question that we put forward is very important. If we say, do you want choice, everybody will say, oh yes, we want choice. But even with that question, Alberta only got 65%—because you want choice.

If you asked the question about whether to maintain the single-desk selling of the Canadian Wheat Board—and that's the question we should be asking—I think the numbers would be very different. But to ask a question about whether you want choice, anybody would say yes, I want choice, without looking at the details.

The Chair: Okay, thank you.

Mark.

Hon. Mark Wartman: Thank you.

One of the things I have to say clearly is that if there were a clear, straightforward, honest question about the Canadian Wheat Board—do you want single-desk selling of the Canadian Wheat Board or not?—and 67% of the people in my province or the western Canadian farmers said they didn't, I would live with that, and I would work with the department and the agricultural organizations to try to build the best system we could possibly have that would maximize returns to producers, that would be progressive, and that would allow us to build a strong agricultural future.

That's the focus. Today you are asking about numbers. I have major farm groups that have very clearly identified what their wishes are. The Saskatchewan Association of Rural Municipalities put forward a resolution at their last meeting. Eighty-five per cent of the people supported the resolution to maintain the Canadian Wheat Board. APAS, SARM, the National Farmers Union, Wild Rose Agricultural Producers from Alberta, and Keystone Agricultural Producers from Manitoba are all standing together and saying they want a good strong progressive future, but they want to have this Canadian Wheat Board as a single-desk seller. At the very least, we want to have a clear and honest plebiscite question.

The Chair: You have one last point, Mr. Atamanenko?

Mr. Alex Atamanenko: Let's talk about value-added. There seems to be some conflict on whether it's been beneficial. I have some information in front of me that says that actually value-added wheat and barley processing in Canada has grown significantly, and that Canadian wheat and durum milling has increased 31% since

1991. I'm hearing, on the other hand, that companies don't want to locate here, but I'm also hearing that they do and that they are and that they're processing and milling.

I would like just a couple of comments from each of you on this whole idea of where you think we have been heading and where we're going with regard to value-added.

● (1700)

Hon. Mark Wartman: Clearly, in terms of value-added, if we're looking at the feed component, farmers can market the feed component where they want to. If it's value-added through feedlot development, they can market there.

You have to understand that one of the vital parts of the duty and the responsibility of the board is try to make sure they're getting the best return they can for the producers. So in an attempt to enable value-added, in any attempt to get that best return, they design different ways that farmers can market, whether it's producer direct sales, whether it's organic sale and organic spread contract or feed sales, whether it's daily price contract or whether it's basis contracts. There is a variety of ways. I know this is complex, but I also know that the board is progressive and that it is looking to enable farmers to get the best value they can. It is trying to work with them to make sure there will be value-added developments.

That's why we've got the malting we've got. The malt barley that we sell into China for Tsingtao beer, which represents one of the most significant sales, is as a result of the marketing work that was done by CIGI and the Canadian Wheat Board. They have branded and marketed a product in the world. Without the Canadian Wheat Board, we would not see the value-added development or the markets that are a result of the work they have been doing and the branding they have been doing. No grain company is going to market a Canadian brand, because every other company will benefit from the money that they expend on doing that.

So this is a very unique and precious part of our democratic structure that does provide a return that is progressive and is looking for a strong positive future for western Canadian producers.

Hon. Rosann Wowchuk: I think the Wheat Board has made many changes in order to accommodate value-added. Our producers were looking at how they could be exporters, and I think all of us as provincial governments have changed our direction, and we want to see more value-added going on. The Wheat Board has changed as producers want to do more value-added.

They have met those. They have done the variety of things that Mark has talked about. Our value-added is going up on quite a quick scale compared to others, I think.

When you talk about the Wheat Board being a hindrance to value-added, I think we have to look at North Dakota. In North Dakota, just south of Manitoba, where they have a free market system, they are not building pasta plants and they are not building flour mills. In fact, they are at a slower pace than Manitoba is. Pasta plants that have failed have failed because they couldn't get the lowest common denominator, the lowest price possible.

I want to see farmers get a better return. I don't want them to be sacrificed for value-added.

Hon. Doug Horner: Well, no, I want my farmers to own that value-added. I want them to be part of that value chain, and that's what we're working towards. I have spent 23 years in the export business. A lot of the pasta plants that were started in western Canada have failed because they weren't competitive. You have a single-desk seller and a single supplier. It's that simple.

On the malt growth that my colleagues were mentioning, when was the last time you heard about a brand new malt plant coming to Alberta? When was the last time you heard about a brand new malt plant going into northern Idaho? It was very recently, and the reason it went there was because it does not want to have a single source of supply. So would you rather be an exporter of malt barley or have that industry in Canada? That's really the crux of it.

To say that no grain company would spend the money to brand Canadian wheat...the Wheat Board uses 26 agents of the board. Guess what? They're the grain companies. They do a lot of these sales. In fact, it would be interesting to understand how many of them they actually do and how much of the marketing they actually do. To say that the beef companies or the beef guys don't do any marketing simply because they're not in a monopoly is ridiculous.

If I own the plant or I'm a farmer involved in the plant, damn tootin' I'm going to be doing some marketing. But I'd rather have that plant down the road from me so I can ship to it, make a deal with it, and grow the type of organic grain it wants. I can make that contract directly between myself and the plant, rather than having this huge middleman in between who is supposedly taking premium for the producer. I am the producer. I want to make the deal myself, and I think it's important we look at that.

• (1705)

The Chair: Thanks, Mr. Atamanenko.

We are now going to move to our five-minute round. I'll try to hold you guys to nine or ten.

I have just one point of clarification before we move on. There's been some talk—I've heard it a couple of times—about the percentage of increase of value-added. Thirty percent of zero is still zero, so can anybody give me the tonnage rather than the percentage? You can send that back to the committee at some other time. I won't hold you to that at this point.

Hon. Doug Horner: We'll give you an analysis of what the actual value-added growth is in the wheat and barley sector, and a comparison to the value-added growth in the non-board sectors.

The Chair: It's near and dear to my heart because I had a private member's bill that got shot down in flames. Anyway, I'd like those numbers. I have mine and I just want to correlate them.

Hon. Doug Horner: Taken in individual context, it's a very important question.

The Chair: Mr. Thibault is next, for five minutes, please. And I'll hold you to your point of order.

Hon. Robert Thibault: Thank you, Mr. Chair.

I want to welcome the three witnesses and thank them for their excellent presentations. I have to say that I am unbiased on this question, and I see value in the three different ways of looking at the two points. I think there's value in all arguments.

I'm from an area that doesn't have any wheat, but it does have a lot of supply management, and my farmers are nervous. They understand the government is currently saying it's not attacking supply management and is committed to it. But they also know that in 1998 Harper said that supply management was a government-sponsored price-fixing cartel. They know what he said in the past about the Wheat Board. Now, they see that, as in any large institution, perhaps there are some amendments to bring, but rather than fixing the Wheat Board, it seems that all moves are toward "the fix"—that there is a fix in for the Wheat Board.

I see at first blush the 16,000 disenfranchised producers, I see a task force that seems stacked, and the way it works seems to be coming to a direction.... I see the appointment to the board for the first time of a producer who is against the board. I see all these questions, and I can understand why dairy farmers and poultry producers across this country are worried that if a movement begins in a few years against supply management because some people can see an advantage in operating alone, they might face the same thing.

So I think the process we go through is very important, and people are looking at this as a barometer. Again, I don't want to express an opinion on how western farmers should market their product. I think that's a decision for them to make. It needs valid debate, and people must know all the facts before these decisions are made. I agree with that.

A couple of points were brought forward by Mr. Wartman, and I have two questions.

It seems sensible to me that if we undo the single desk thing we will never be able to redo it. It will be very difficult. I understand it was brought about in very difficult circumstances during the dirty days when there was an entire collapse in the industry. It started at that time. How would you do it now? I don't know. If I'm wrong on the history, I'm sure I'll be filled in. But can you operate realistically with a single desk and a free system? Can those work together? You pointed out the question of infrastructure.

On the second question, I'd like you to answer, Mr. Wartman, and if there's time, the other two may be able to answer. Is it possible to have part of the prairie provinces under a single desk system and part of them under a free system?

The Chair: Mr. Wartman.

• (1710)

Hon. Mark Wartman: As for the ability to ever reconstruct, the Canadian Wheat Board has gone through a number of transitions. It has changed often and continues to evolve to meet the needs of producers. There is nothing in NAFTA or the WTO to prevent a re-establishment. But here's the problem: if the Wheat Board were eliminated, and then some time down the road the federal government decided to re-establish it, all the companies that managed to scoop up the board grains and market them would sue the federal government under NAFTA for damages and lost income. This would be huge. So practically speaking, once gone, the Wheat Board could not be re-established.

Secondly, you want to know whether we could have both a Canadian Wheat Board and a separate seller, whether we could maybe have something like the Man-Sask Wheat Board and the Alberta chaos. Well, you could do that, but the point I want to make, and I'll try not to be a smart aleck, Doug—

The Chair: It's too late. You can't put that back in the bag, Mark.

Hon. Mark Wartman: Well, that's the way I see the world.

Anyway, the point is that it would make marketing and branding very difficult, and I am told it would be difficult as well because one of the key elements is that when you have the Canadian brand and it's shipped through our singular system, it would be very hard to keep differentiated in the marketplace and get the gains that we get because we are able to differentiate in the marketplace. Canadian wheat, barley, and durum would not be as easily differentiated.

Now, if I know my friend Doug, and I think I know him fairly well, I'm sure he'll say that what you'd get would be Alberta wheat, like Alberta beef. But let me tell you, every year 700,000 to 800,000 head of Alberta beef actually come from Saskatchewan.

The Chair: Mr. Thibault, Mr. Horner wanted to respond to that too. But it's your call because you made that point.

Hon. Robert Thibault: I'd like him to answer. I just wanted to say that if they don't have time they can submit documentation for their answers.

The Chair: Mr. Horner.

Hon. Doug Horner: I don't have to submit any documentation. If you want to know whether the Canadian Wheat Board could operate right next to a separate system, all you have to do is look at Ontario. Ontario is not part of the Canadian Wheat Board designated area. And every year, it exports about a million tonnes of wheat. Now, to suggest that somehow Ontario is ruining the Canadian Wheat Board is ludicrous. And to suggest that Ontario wheat is branded differently than Canadian Wheat Board wheat is just as silly.

If you're saying that Manitoba and Saskatchewan want to lock their producers into servitude to an export trading company that ships all of their grain offshore, I think Alberta would certainly be able to handle that. We would probably handle it in an open and free

market system, as we have always done in the past, which is why we are as prosperous as we are today. I don't have a problem with that.

The Chair: Ms. Wowchuk, a final point on that.

Hon. Rosann Wowchuk: You asked whether the Wheat Board could continue to operate in a free market system. I don't think so—not in the system we have right now, without control of any assets. The Australian Wheat Board had to make some adjustments, but they have assets. Our Wheat Board does not have assets, so they would be at the mercy of the grain companies. I don't think they could survive like that for long.

If you compare Ontario and western Canada, they are very different. There's a great divide. In Ontario they grow very little hard red spring wheat. They grow soft wheat, and most of their wheat is consumed in the domestic market. The volumes of wheat grown on the Prairies could not be consumed in the domestic market. We will always be exporters, either of raw wheat or a value-added product. Certainly within the Wheat Board we can value-add.

The Chair: Mr. Bezan.

Mr. James Bezan (Selkirk—Interlake, CPC): Thank you, Mr. Chair.

I want to follow up on some of the comments that have been made about the statistics. We throw around percentages, and we need to have some hard facts. If you start looking at the United States or the Ontario situation and do a comparison, maybe on a percentage basis of growth, it's not there because it's already a mature industry. If you look right now, Saskatchewan is only processing 5% of their coarse grains—only 5%. Compare that to Ontario, which is 117%. That means they're bringing in grain. It's a very immature industry, they're processing everything and then some. We have to put the numbers in perspective, Mr. Chair.

I asked our research team to coordinate the information coming in and fill in the holes when we compare it to other regions outside the Wheat Board area. I'm also surprised that Alex made the comment that minority rights don't matter. He's pretty much saying the majority should rule over the minority, and I think that's contrary to NDP philosophy, so I'm rather shocked by that.

I want to come back. Minister Wowchuk, you're talking about having a plebiscite in Manitoba. The Government of Canada has never said we're opposed to a plebiscite. Right now you guys are jumping ahead, you're trying to run out the door and you forgot to open the door. You're banging your heads now because we aren't at the point yet to know where we're at with the decision on moving ahead on the marketing choice, and what the question might look like. You guys are getting ahead of yourselves, so we have to take a step back.

You did mention you want to go ahead with the plebiscite in Manitoba. Do you believe that all agricultural policy in Manitoba should be decided by a plebiscite?

• (1715)

Hon. Rosann Wowchuk: If you listened to producers, Mr. Bezan, producers across the country have been calling on your government to give them a plebiscite. We have clearly said we want the federal government to call a plebiscite with a true, meaningful question. If you won't put that question to the producers, we will give the Manitoba producers a choice. This is not the first time it has happened. Alberta held a vote, Manitoba held a vote on the Wheat Board in the fifties, and they're prepared to do it again if you won't.

Mr. James Bezan: To follow up, a plebiscite on a federal policy in Manitoba would not have any legality, but I can tell you, if you want plebiscites, you guys moved ahead this year with a cattle tax in Manitoba and the producers were asking for a plebiscite then. A lot of those producers came to me, and I never saw any question about the farmers. I'm a cattle farmer and I never got a chance to vote on whether or not I wanted this head tax.

If you want to be useful having a plebiscite on something, if you want to gauge the response of producers in Manitoba, I suggest you start listening to them on safety nets. The CAIS program is widely hated out there. Everywhere I go, farmers are telling me CAIS doesn't work, and you're at the front of the line cheerleading for the CAIS program. Let's have a plebiscite in Manitoba to see whether or not that safety net is serving the farmers well.

Hon. Rosann Wowchuk: Mr. Chair, I will tell Mr. Bezan that he's part of government. Producers are asking for changes to CAIS, but what producers are asking for are true changes to CAIS. What you are proposing now are not true changes. They are changes that were made under the Liberals, Mr. Chair. True change is not being proposed here.

Mr. James Bezan: Just as a point of order, Mr. Chair, we are trying to move ahead with changes to the CAIS program, but every time the government talks to the provincial governments, they don't want to move on the issue.

Hon. Mark Wartman: That is absolutely not true.

Mr. James Bezan: They're not listening to producers at all. One of the things you campaigned on is that there was choice provided in the marketing involvement in Manitoba and you said you're going to reverse that decision. That hasn't happened. We still have a choice in marketing hogs, and you were going to bring back the monopoly on hogs in Manitoba.

The Chair: Ms. Wowchuk, please.

Hon. Rosann Wowchuk: Mr. Chairman, if I could add to this, first of all Mr. Bezan is inaccurate when he says the federal government is trying to make changes to CAIS but the provinces won't. The federal government wants to change the name of CAIS. I'm not prepared to change the name of CAIS if there isn't real change to the program. In fact, the provinces have agreed to changes, changes that were proposed under the previous government. Some of those changes are being made.

With respect to the hog industry, I said if the producers wanted a change back to single-desk selling we would make that change. Producers have not asked for that change. I always listen to producers.

Mr. James Bezan: Mr. Chair, I just want to say that the comments linking the Wheat Board discussion to supply management is

completely inaccurate. This government supports our supply management industries. There is a huge difference between supply management and a monopoly single-desk seller. Supply management guarantees a price to farmers. They know what they're getting, they can plan for that. We support it 100%. I support it, so do all the producers we have in Manitoba and across Canada in that industry. That's the difference between it and the Wheat Board. The Wheat Board doesn't control supply. It doesn't manage the end market use as well. There are some huge issues and a huge difference, and that's why we're having this discussion.

• (1720)

The Chair: Thank you.

We'll have Mr. Boshcoff for five minutes, please.

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

My questions will be primarily to Manitoba and Saskatchewan, as they relate to the port in the St. Lawrence Seaway a bit more than the Alberta government does. I have three questions.

First, this is probably the first time you've seen Churchill and Thunder Bay, along with Vancouver and Montreal, expressing their concern about the destruction of the Wheat Board with regard to what can happen, particularly to the marine industry. The immediate demise of the port system and marine transportation and the seaway are of obvious concern to people in my riding and all the way down through eastern Canada.

Second, with the destruction of the Wheat Board, what would possibly happen to the railcar system that currently exists if it indeed becomes a north-south system as opposed to an east-west Canadian system?

Third is something that.... In an earlier life, I was the director of marketing for the Port of Thunder Bay. I'm well aware that in Regina, in Saskatoon, and at the University of Manitoba in Winnipeg, there are a large number of research facilities, and indeed head offices and grain company offices. With the destruction of the Wheat Board, even from the Vancouver point of view, are you fearing that things will happen, that instead of going to Vancouver they will go to Seattle, and instead of going to Winnipeg and Saskatoon they will go to Minneapolis and Saint Paul?

Those are my three questions. Thank you.

Hon. Mark Wartman: Are you asking either one of us?

In terms of the ports and the potential impact of removing the Canadian Wheat Board, I think, again, that one of the things we have to keep in mind is that as traders—and we are traders—we need to get the maximum return for our producers. In terms of where and how we will market if we don't have the Canadian Wheat Board doing the marketing, I suspect that it will be where those markets are, and if that means a north-south corridor, it could have huge impact.

Today, because of single-desk marketing and the way that operates, I think we see significant activity in our east-west ports. Would that be impacted? I don't have the data to make an accurate statement, so I'll simply say that it's something I think we would have to look at carefully. The primary focus for us is making sure that whether it is commodity or value-added, we sell into the best markets for the best return.

What are the potential impacts on rail? Well, I think all of us at this table, at various times and at various levels, have been very clear that we want significantly better rail service. We have seen a real, large abandonment. We have supported producer short lines. They will be at serious risk without a Wheat Board because of the way grains are marketed. Not only that, we still have some very serious concerns about rail and running rights, which we have brought forward at times to say that there needs to be competition, there needs to be level of service, and there needs to be dispute reconciliation that is much faster and much more producer oriented.

I think we stand together on pieces like that, very clearly. I'm concerned, given what we've seen from the board, that if they are not marketing, we will see some serious impacts on the infrastructure that has been invested in to date to try to compensate for some of the activities of the major railroads.

Hon. Rosann Wowchuk: I raised the issue of Churchill because I believe that without the Wheat Board, Churchill will be devastated. Ultimately, it's about getting the farmers the best return for their product, and the sales through the Port of Churchill certainly help the producers of that catchment area. I think there will be a more serious negative effect on Churchill than there will be on Thunder Bay and Vancouver, because Thunder Bay and Vancouver have grain terminals. They don't have any at Churchill. So I think the most serious effect would be on the Port of Churchill.

You ask about what would happen, where the head offices would go, and will there be an impact. I think this is something that has to be considered as well. If you think about how Manitoba Pool Elevators and Alberta Wheat Pool came together, they formed Agricore United and they put their head office in Winnipeg because that is where the Canadian Wheat Board was. If you don't have the Wheat Board—and there are many head offices there—I think you will see these head offices move out.

There are other institutes, such as the Winnipeg Commodity Exchange, the Canadian Grain Commission, and the Canadian Grains Institute, that play a very important role in marketing, in the development of products, and in working with our customers. We don't know what the future of those institutes will be. I think we have to look at all of those and take all that into consideration.

The issue of transportation is one we're all concerned about, and producer cars, and all of those issues.

• (1725)

Hon. Doug Horner: Mr. Chairman, Mr. Boshcoff, the suggestion is that if you had, as you put it, the “destruction of the Canadian Wheat Board”, which I disagree with....

The vision we have is of a new entity coming out of this. It's a new generation cooperative type of structure that actually has contracts with those independent line companies and perhaps even owns a

piece of one of the terminals that are currently available on the west coast. That gives them the assets and all those other things. But I would suggest this to you. If your concern is that the only reason these port facilities are being utilized now is that some sort of subsidy is being given to them by the Canadian Wheat Board, that is kind of at odds with the ability for them to give the farmers the best deal.

If the best return to the producers is to go through Churchill, they should go through Churchill. If the best return to the producers is to go through Thunder Bay, they should go through Thunder Bay. I would argue that they probably are doing that because it is a good port. If the best return to the producer is through Prince Rupert, which is a day and a half closer to the Asian marketplaces that we want to hit with value-added products, then that's where they should go.

So I'm curious about the argument. I don't have facts, but the logic would say to me that if they're getting the best deal for producers today, there should be no concern. The market will dictate that they're going to go where the best efficiencies are.

Mr. Ken Boshcoff: My concern is a collapse of the infrastructure caused by dismantling the existing structure that seems to be working for smaller people to be able to access cars and those types of things.

Hon. Doug Horner: I believe this would actually add to that, because those small line companies are looking for partners. I should say that I know very well several of the independent grain companies in our province and several of the independent grain companies that operate in some of the other provinces. I can tell you that they are looking at this type of an establishment in a positive way. That includes a terminal in my own constituency that is owned 100% by producers—well, not anymore; they have to join venture partnership now. It was started 100% by producers in our area, and they are looking forward to opportunity.

The Chair: Mr. Roy, you have one minute.

[Translation]

Mr. Jean-Yves Roy (Haute-Gaspésie—La Mitis—Matane—Matapédia, BQ): Thank you, Mr. Chairman.

I'd like to draw some conclusions, because we will be called upon to vote.

[English]

The Chair: These folks have airplanes to catch.

[Translation]

Mr. Jean-Yves Roy: It's more of a statement than a question and it's directed to Mr. Wartman.

Basically, if I were a processor, or if I wanted to set up a processing company, I would not want to do business with the Canadian Wheat Board because in my opinion, I would be paying too much for the wheat and my business would not be profitable.

I would want to pay the lowest possible price by negotiating with producers, one on one, if necessary, to get the best possible price and thus maximize my return.

Do you feel the same way as I do?

[English]

Hon. Mark Wartman: Yes, of course. If you can divide, you can conquer. In this case, what we see is that there is value-added development and it does operate through the structures of the Canadian Wheat Board. We could only speculate whether there would be more or less without the board, but we do know there is value-added with the board. We could only speculate, then, on what the impact would be on primary producers with value-added development if the board was not there.

That said, both we as government and the producer groups, I think without exception, want to see more value-added. It is my understanding, in all my discussions with the board members, that they want to see more value-added. The structures and the visionary work that is being done by the board are about trying to enable that to happen, but not to make it a race for the bottom in terms of price. That's the big concern. We want to make sure they can maximize.

We sell potash as a single-desk seller. Canpotex sells potash into the world as a single-desk seller. They don't sell separately because

they know they can be taken, but together they have a strength that enables them to sell potash successfully and make the best deals possible everywhere in the world.

● (1730)

The Chair: Thank you, Mr. Wartman.

Mr. Horner, very quickly.

Hon. Doug Horner: If you want an example of how it can work, look to oats.

The Chair: Thanks so much for your presence here today, ladies and gentlemen. We understand that you've taken time out of your busy schedules. I know Mr. Wartman is back in session tomorrow, Ms. Wowchuk is back to Manitoba, and Mr. Horner is back to Alberta.

Thank you so much for your appearances here today before the committee. These meetings will be ongoing.

This meeting stands adjourned.

Published under the authority of the Speaker of the House of Commons

Publié en conformité de l'autorité du Président de la Chambre des communes

**Also available on the Parliament of Canada Web Site at the following address:
Aussi disponible sur le site Web du Parlement du Canada à l'adresse suivante :
<http://www.parl.gc.ca>**

The Speaker of the House hereby grants permission to reproduce this document, in whole or in part, for use in schools and for other purposes such as private study, research, criticism, review or newspaper summary. Any commercial or other use or reproduction of this publication requires the express prior written authorization of the Speaker of the House of Commons.

Le Président de la Chambre des communes accorde, par la présente, l'autorisation de reproduire la totalité ou une partie de ce document à des fins éducatives et à des fins d'étude privée, de recherche, de critique, de compte rendu ou en vue d'en préparer un résumé de journal. Toute reproduction de ce document à des fins commerciales ou autres nécessite l'obtention au préalable d'une autorisation écrite du Président.