



# FASTFACTS



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## Canadian Wheat Board: Magna Carta for Grain Farmers

**F**or over a century farmers have faced a fundamental economic problem: those they sell their output to are organized as a small number of corporations; those they buy their inputs from are similarly a small number of large firms.

Two American firms (Cargill and Tyson) slaughter and package 90% of Canada's beef. A handful of millers process wheat into flour. Three grocery chains control over 70% of the retail grocery market. These giant companies are the customers that thousands of individual farmers must deal with to sell their product.

On the input side of the farm gate, there are only a handful of suppliers of farm machinery, chemicals, fuels, and seeds which farmers use to create the raw product for the immensely profitable food processing and retailing sector.

The now chronic farm income crisis is largely a manifestation of this imbalance between the thousands of farmers and the handful of giants they have to deal with. Compared to these giants, there is no such thing as a large farm. Due to the limitations of technology and biology it is essentially impossible to create a sustainable farm that can bargain equally with these giants.

It is here that the United States, Europe, Australia, and Canada radically diverged in farm policy after the Second World War. In Europe and the United States, this inequality of market power was taken as a rule of nature. Their solution was to provide substantial production subsidies and support prices to farmers so they could continue producing raw products for others to

process and profit from. Their farmers receive an income sufficient to keep them producing, and their processing companies became multinational powerhouses based on abundant and cheap raw farm products.

Canadian and Australian farmers chose to remedy this defective market structure by working together to form farm marketing boards. If one of the multinational giants wants to purchase western Canadian wheat or barley, the only place they can go is the Canadian Wheat Board (CWB). The CWB acts as an agent for farmers: it sets a price, negotiates with the customers, arranges handling with the elevator companies, and delivery with one of the two American railways. The grain farmer then gets paid the world price for their grain.

This arrangement gives farmers bargaining power to negotiate freight and handling with the railways on the 350,000 or so grain cars which go to the west coast each year. A customer like the CWB has more negotiating power with the railways than a farmer shipping six or even fifty cars of grain to port. According to Federal Auditor-General Sheila Fraser's 2002 Audit, the Wheat Board was well run and very efficient. The Board's annual financial statements show that over 98% of the Board's revenue is returned directly to western Canadian farmers.

Those who worship at the shrine of free enterprise have difficulty accepting responsibility for the failures of thirty years of deregulation to create farm prosperity. The food processors and retailers, not to mention the railways and the chemical and machine companies, have a vested interest in turning the public's attention away from the



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defective design of the market place. For these companies a little “freedom” has resulted in extraordinary profits, all, unfortunately, at the expense of farmers.

This defective market system, one in which thousands of individual farmers are played off against each other by a handful of processors and retailers, was once closer to being balanced. Farmers, years ago chose to compete on an international basis with other countries by forming their own collective sales department. After decades of work, the CWB was finally implemented by Conservative Prime Minister R. B. Bennett. The farm community's efforts had not only created a marketing board system, but in the west it had also created the largest cooperative grain handling system on the planet. With the passage of a series of federal laws, including the Canada Grain Act, the Crows' Nest Pass Freight Rate Agreement, and the Canadian Wheat Board Act, “a Magna-Carta” for grain farmers was created.

Yet over the past thirty years and despite the strenuous objections of the farm community, the neo-conservatives have systematically dismantled or undermined most of these protections.

The latest attempt to divert attention from a defective market place, and further weaken the market power of farmers, is Bill C 300, introduced by Conservative Jerry Ritz. It is another attempt by the agri-business sector to take a greater share of the economic pie from those whose power is weakest: the farm producer. Independent academic studies have demonstrated that the CWB is worth an extra \$2 million per day to western farmers.

Previous attacks on the CWB were simply naked grabs for revenue by the usual suspects: the private grain handling companies and the foreign-based flour millers. Today the steak is the same, but the sizzle is different. Now the issue is cloaked in the rhetoric of freedom and choice. Both fine sentiments, but completely ignoring the imbalance in market power between farmers and the five grain companies that control 80% of the world grain trade.

Mr. Ritz's bill, which reflects the Harper Conservative government's biases, seeks to obscure the removal of the collective bargaining rights of farmers under the guise of “dual marketing.”

Western farmers understood the illusion of dual marketing long ago. Indeed, the Federal Government, when it passed the 1935 CWB Act, did not, because of pressure from the private trade, proclaim the single desk provisions of the Act until after a disastrous and failed experi-

ment with dual marketing. In that case, the CWB would set an initial price for grain and the private trade would immediately under-cut the Board's price. The Federal government was left to make up the resulting short-fall in Board revenues. After several years of financial hemorrhage, the section of the CWB Act establishing the single desk seller status of the CWB was proclaimed for the 1943 crop year. This status was reaffirmed by votes of Parliament every five years until it was made permanent in 1967. In all those votes, only once, in 1947, did two MP's, both from Ontario, vote against the single desk. Every western MP, from every political party, voted in favour of the CWB's single desk.

Since then, the structure of the international grain trade and the agri-food industry has in fact become even more concentrated. Mr. Harper and Mr. Ritz may seek a return to a mythical free-enterprise past, but most western farmers have a more realistic understanding of the world they work in, and understand the importance of the CWB to their farms and their communities. They also understand section 47.1 of the CWB Act which requires a farmer vote before extensions or exclusions are made to CWB marketing powers. As one prominent farm writer said of Bill 300: “Apparently innocuous to the uninformed, Bill C-300 will deliver up the CWB's head on a platter to the concentrated American wheat lobby, led by multinational grain interests.” With it will go the hard-won rights of Canadian farmers to collective bargaining.

- Ken Larsen

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