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# **Standing Committee on Agriculture and Agri- Food**

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**EVIDENCE**

**Thursday, November 2, 2006**

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**Chair**

**Mr. Gerry Ritz**

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## Standing Committee on Agriculture and Agri-Food

Thursday, November 2, 2006

• (1105)

[English]

**The Chair (Mr. Gerry Ritz (Battlefords—Lloydminster, CPC)):** Good morning, ladies and gentlemen. Welcome to our 26th meeting. We're here to discuss the task force report on implementing marketing choice for wheat and barley.

With us today, from the Department of Agriculture and Agri-Food, we have Howard Migie, director general, strategic policy branch. Welcome, Howard. From Grain Vision, Manitoba, we have Paul Orsak, chair. And, finally, from Weyburn Inland Terminal Ltd., we have Rob Davies, chief executive officer. Thank you, gentlemen, for appearing with us today.

We have time for a presentation, of course, and then we'll open the floor to questions.

Mr. Migie.

**Mr. Howard Migie (Director General, Strategic Policy Branch, Department of Agriculture and Agri-Food):** Thank you very much, Mr. Chair.

I appreciate the opportunity to come before you today, particularly as chair of the task force on implementing marketing choice for wheat and barley. In addition to the two members of the task force here, the other members are Brenda Brindle, Mike Bast, John Groenewegen, and Bruce Johnson.

Our task, Mr. Chair, was to recommend options on how best to implement marketing choice. We were asked to identify and propose how to address certain technical issues and transition issues, both for a voluntary Canadian Wheat Board and for the Canadian grain industry.

Our report was released on Monday of this week by Minister Strahl.

In the report we used the name CWB II as the transformed Canadian Wheat Board, which would be owned by farmers and operated on a voluntary basis, without any government regulatory powers.

Paul Orsak will speak for four minutes or so on the proposed business model for CWB II and preparing for change in forming CWB II, and then Rob Davies will speak again for about four minutes on the launch of CWB II with transition measures and how a competitive grain industry would operate with marketing choice, and then we'd be pleased to answer question. So in total we think it will be about ten minutes maximum.

Let me turn it over to Paul to go over the first part of the report.

**Mr. Paul Orsak (Chair, Grain Vision):** Good morning, Mr. Chairman and committee members.

Thank you for the invitation to be part of your deliberations as you discuss very important issues respecting the wheat and barley industry and its implications for farmers and the entire wheat and barley value chain.

The task force recognized early in its deliberations that while the issue of marketing choice is primarily a matter centred on how farmers such as me will market their wheat and barley, it has large implications for the Canadian Wheat Board obviously, but also for the entire value chain. It cannot be presumed that nothing would change except for the farmers or for the Canadian Wheat Board. The task force, by necessity, had to consider how the elimination of the monopoly powers of the Canadian Wheat Board would affect the entire industry. There will be a number of cause and effect situations that may happen, and while it would be foolish to predict how each and every business will react, we did have to consider whether certain business conditions would bring value to farmers and at the same time would not hamper competition for farmers' grain.

First, some context for our business model. My remarks this morning will centre on perhaps one of the more interesting components of the task force report. It's interesting I think because farmers, I believe, are genuinely hungry for information about what a new Canadian Wheat Board might look like and how it might operate in a market choice environment.

It is important to stress that the business model we propose for a new and restructured Canadian Wheat Board is but one option for a new model.

The task force was always cognizant of the need to ensure that our recommendations need not only provide a reasonable probability for a successful launch and a sustainable business model for the new CWB, but we had to balance this with the need to ensure that future enhancements to the competitive regime in grain marketing, handling, transporting, and processing would still proceed and that we would not see an erosion or flight of capital from the industry. In fact, we believe that creating a climate for even more investment in the industry in all areas is not only healthy for farmers and the industry, but necessary to ensure the western Canadian grain industry remains competitive with existing and emerging international competitors.

The task force felt it was important to suggest at least one option, even though, as will be obvious from a careful reading of our report, it ultimately must be up to the board and the management of what we call CWB II to consider what its business model and business plan should be. The task force did not want to presume or be too prescriptive about these matters, as ultimately it must be up to the CWB II to position itself and determine what its value proposition will be to competitively and effectively bring value to farmers.

Now I'd like to outline our suggestions for the business model. Our option envisages CWB II as a commercial entity owned and controlled by farmers. The task force believes CWB II can create value for farmers by building on the strengths of the existing Canadian Wheat Board, namely, its strong customer relationships and knowledge of their requirements; its solid reputation for pricing, delivery, and contract execution with buyers; the fact that many producers desire to see any new version of the Canadian Wheat Board as a producer-controlled grain marketer; and its experience in operating a pooling system for producers.

Additionally, CWB II could or should develop new, innovative pricing products or new food safety protocols. We believe it can build on its strengths by reducing supply chain costs through the purchase or contracting of facilities. It could sell some services, such as its transportation and weather expertise. Importantly, it could also market crops other than wheat and barley.

Our option suggests the sale of shares in CWB II. This would clearly enable farmers to see an alignment of their interests with CWB II by investing in it. It is, of course, also a mechanism to provide the company with additional capital. As you will have read, we suggest the shares not be tradable for a two-year period, the first two years.

Clearly, contributing to a high probability of success for CWB II would be the transfer of Canadian Wheat Board assets. Adding together the intangible assets I have just referred to and the tangible assets as outlined in the table on pages 6 and 30 of the report would give CWB II a significant start-up benefit.

•(1110)

Finally, if I can just take a minute more, I would like to give you a perspective that I think you might find interesting. Prior to my work on the task force, my personal belief was that the voluntary CWB would be competitive in the marketplace, and it would do so primarily through the offering of pooled and cash price options.

I did not force myself into the position of having to think deeply about what the value proposition of a CWB II type of entity would be. I looked at it more from the perspective of a farmer whose natural vantage point is as a supplier-customer. From that vantage point, I currently see a variety of offerings from a variety of companies.

Each company has its distinctive characteristics, and as a farmer, I fairly easily choose which best matches my needs. The farmer in me assumed and said that another entity in the business with a unique and different approach would bring value to me, both directly and indirectly, as competitive influence improved offerings across the board.

I still believe that to be the case. But I felt quite strongly that to be really competitive, a transformed Canadian Wheat Board would

have to change its focus to cash price offerings instead of price pooling.

As a result of being forced to think much more deeply about it, along with the benefit of vigorous discussion amongst the task force, I've come to see things slightly differently. I believe the CWB II has an exceptional opportunity to differentiate itself in the marketplace, and a value proposition that includes price pooling as one of its features could be the underpinning of its success.

To many farmers, me included, the current price pools are relatively unattractive. There's simply too much cost associated with them. However, in a market choice environment, I believe price pooling can be an extremely valuable offering to farmers. A new environment, a new focus brought on by the discipline of a competitive marketplace will mean the management of CWB II would look at things much differently. With a focus on cost containment, without quality over-delivery, without arbitrariness in pricing between classes, with tighter management of the logistics end, and with our focus on risk management, I can get really excited about the possibilities. In fact, I can easily envisage that farmers will eagerly flow a significant portion of their marketable grains, including current non-board grains, through a pool.

It's a matter of price risk management for farmers. As margins tighten and risk management becomes much more important to farmers, this has the potential to be truly a unique and important value proposition for CWB II.

Some farmers may elect to put more through the CWB II than ever before by including other crops. I believe many will commit a significant proportion to CWB II when it has proven itself capable and professionally managed. Personally, I can foresee myself putting a significant portion of not only my own wheat production but now other crops as well into CWB II pools. I will view it as a highly valuable risk management vehicle with a level of professional management that is currently not easy to access and perhaps beyond my own level.

The best comparison I can think of is the mutual fund industry. Mutual funds are just really investment pools. They are voluntary, of course, and they compete in a very sophisticated marketplace. They are growing and thriving as investors commit large portions of their portfolios to them to avail themselves of the professional management they offer. I think there's very little doubt that the competitive nature of the capital markets is what drives value into this kind of investment.

The same, I believe, would be true for the operations of price pooling for CWB II, and it would provide a unique and competitive value proposition to farmers. Combined with innovative and farmer-friendly financing instruments, I can get positively excited about the possibility of marketing grains, oilseeds, and special crops, price pooled through an entity such as CWB II.

I thank you for this opportunity, and I'll turn it back to Howard.

• (1115)

**Mr. Howard Migie:** We'll set up Rob with the final closing....

**The Chair:** Mr. Davies.

**Mr. Robert Davies (Chief Executive Officer, Weyburn Inland Terminal Ltd.):** Good morning, Mr. Chairman and members of the committee. I'll speak to the launch of CWB II and how a competitive grain industry may operate with marketing choice.

The launch of CWB II will require that significant preparation be undertaken by all marketplace participants, as there will be changes to many practices that have existed for years across the spectrum of the grain marketing system. Starting with the CWB, they will have time through periods A and B, as outlined in your report, to ensure they have a business plan in place and that they have the correct staff and skill complement to be successful in the new marketing choice environment.

CWB II will reinvent itself, creating a new vision and some new contacts, designing programs, and providing an outline of its value proposition to farmers to move forward with.

Ensuring that systems are in place for CWB II to access financing in the future, to allow the continuation of pools to farmers, and to access financing for export sales will require some lead time and some document creation, as well as practical experience in the new operating environment.

The federal government will have a number of transition issues to ensure required changes are made to the Canada Grain Act and the Canadian Grain Commission to support the requirements of a change to marketing choice for prairie wheat and barley growers. The changes required will provide certainty around the question of producer cars and will also provide authority to monitor, investigate, access necessary data, publicly report, assist in dispute resolution, and quickly resolve any issues of non-competitive grain handling industry behaviour, for both the benefit of producers and the industry.

In addition, the administration of the current cash advance system, which is now administered by the Wheat Board, would need to be moved to another body.

Finally, the government will need to move forward with measures to enhance rail competition, such as improvements to the shipper protection provisions in the Canada Transportation Act. Consistent concerns were raised regarding effective rail competition. These issues were outside the specific mandate of the task force; however, they are important in ensuring an effective transition to marketing choice. From the commercial industry perspective, we need to be very clear on one point. The marketplace needs certainty through the transition period. Industry will get contracts in place, both privately and at the Winnipeg Commodity Exchange, but certainty of timing is required, and that is part of the lead time provided by the task force recommendations.

New contractual arrangements between industry players will need to be established. This includes port and country terminal operators, exporters, and end-users such as millers and maltsters, both domestically and internationally.

While these changes will likely result in changes to cropping patterns, they may actually provide for more certainty for farmers and for industry and also give Canada additional ability to meet the requirements of end-use customers.

Farmer understanding will be a critical component of a successful transition. While farmers currently market some of their production, such as feed grains, oilseeds, and special crops, outside the CWB, a shift to marketing choice of previously controlled grains will require new risk management protocols for farmers, and they will need to review their sales and marketing strategies to ensure they meet the business needs of their farms in the new marketing choice world.

It's expected that shifts in crop production patterns will occur as the direct impacts of logistics and marketing costs become apparent. This is good for the industry and for farmers in the long term, but there will be a period of adjustment. Grain companies, too, will need to ensure that sufficient financing is in place and that their farm customers understand the new requirements in the marketing choice world. The current CWB contracts have fairly low levels of enforceability due to the ability of the CWB to market the entire western crop.

Wheat and durum growers will have to contract much more accurately than they were previously required to, and this will have collateral impacts on the Canadian grading system, as the current grade standards may no longer fit with the requirements of end-use customers for quality specifications.

While the changes required may seem somewhat daunting, the reality is, if we want to move to a Canadian grains sector that operates with effective competition in marketing, handling, and transportation, that has effective price-discovery and hedging mechanisms, and that has a strong, viable CWB II as an option for farmers, a lot of work will be required. This change should not be expected to be accomplished quickly.

In conclusion, in the package of recommendations provided, the task force sought a balance between giving CWB II financial transition measures and sufficient time to have a high probability of success, while still encouraging existing and new investors to participate in the Canadian grain sector, all within the context of providing farmers with marketing choice.

• (1120)

The task force believes that if marketing choice is introduced in a careful, considered way, but without unnecessary delay, an efficient, effective, and competitive grain marketing system will serve grain producers and the overall grain industry in the long term.

Thank you, Mr. Chairman.

**The Chair:** Thank you, gentlemen.

We'll now move to our round of questioning.

You may want to be ready to use your translation. It says English, number one; French, number two; Mr. Easter, number three, so be prepared for that.

**Voices:** Oh, oh!

**The Chair:** Mr. Easter, seven minutes, please.

**Hon. Wayne Easter (Malpeque, Lib.):** Thank you.

Thank you, gentlemen.

If there's one thing your report has certainly done, it's made the United States grain industry happy, both from the multinational sector and from the producers in the United States. They've been trying to destroy the Canadian Wheat Board for eleven years, and in one fell swoop this minister seems to be going to do the same thing—going to do the U.S. bidding.

In any event, I've seen quite a number of task forces in my time, but I have never seen one such as this, with so little analysis, so little background data. Obviously, it was just working on assumptions before it started, without going out to collect the evidence to make its argument.

Howard, could you provide this committee with the following: first, a complete list of all the meetings held by this task force, the locations of the meetings, and a list of the attendees; secondly, a list of all the submissions made to the committee, and which were solicited and which were not; and thirdly—

**The Chair:** Slow down, Mr. Easter, we need a chance to catch up.

**Hon. Wayne Easter:** —a list of any economic evaluations, reports, or analysis done by or for the task force?

I don't expect you to provide that today, but I do expect you to provide it to the committee.

Now, Mr. Davies, in his last statement, quoted from the report, on page 8, where it says:

The Task Force believes that if marketing choice is introduced in a careful, considered way but without unnecessary delay, an efficient, effective and competitive grain marketing system will serve grain producers, customers and the overall grain industry.

Mr. Davies, can you provide to this committee any evidence, studies, analysis, or other documentation to support the belief expressed by your comments? And I mean evidence; I mean contract evidence, not supposition.

**The Chair:** Mr. Davies.

**Mr. Robert Davies:** I certainly can give that, Mr. Chairman.

I guess, by its very nature, a belief is not necessarily supported by evidence. I think the committee took significant time to review some of the options. We have provided five options, I think, as ways the system could work. Certainly, there's work to be done, and I think we've outlined some of the areas where we'll need to ensure there's a competitive environment going forward, but we clearly had the task of providing the beginning of a “how” template. That's where we started. I think we have an excellent start, and we've provided some background on the ways the marketplace could function. Certainly, there will be changes.

**The Chair:** Mr. Migie.

**Mr. Howard Migie:** I will come to the first part of the question. The task force was given a particular task. The minister did not request that we look at the question of whether the government should move in a particular direction. The policy direction was given to the task force.

What we were asked to do was to identify and examine a number of either technical issues or transitional issues that should be addressed and how to address them. It wasn't a question of doing a study on whether or not the CWB, with monopoly powers, is more advantageous or not. Our task was really to identify issues. In most cases, people came to us. Any group that came to us, we did meet with. Through our e-mail system, we had 21 people who wrote into us, and we shared that with the group. We had the benefit of that information, and those people didn't request to meet with us.

A number of companies indicated they wanted to come forward and provide some information, primarily on transition, where they were concerned about the transition time and adjustments to it, and I can indicate....

So we had four meetings, as a group, and at each of those meetings.... I'm sorry?

• (1125)

**Hon. Wayne Easter:** Can you provide that to us? Howard, I asked you to provide that to us. If that's the case, that you were to move just in a policy direction—and in Mr. Davies' answer it's clear that you don't have evidence. So why would you say in the report that you believe...? We're talking about serious consequences here, guys. We're talking about giving up single-desk selling through the Wheat Board, and the Wheat Board says—and they sent it to you in the report—the loss to producers will be somewhere between \$530 million and \$655 million annually.

If we lose that single-desk selling...you know Howard, your credibility is on the line. You've been with Agriculture and Agri-Food Canada since the seventies. Your credibility is on the line here. If we lose the Wheat Board, you know under trade law we can't get it back. This is not about beliefs; this should be about evidence, facts, analysis. That's what it should be about.

**The Chair:** Mr. Migie is just trying to answer your question, Mr. Easter.

**Mr. Howard Migie:** That is a different question than what this group was asked to do. It's very appropriate in my capacity to be assisting the minister and the government to implement the policy—that is really my job. In terms of our particular task, we weren't asked to examine the various studies.

There are studies on both sides of the issue. There have been a tremendous number of studies. A number of them support and would say the monopoly powers of the Wheat Board are beneficial. Other studies talk about costs. But that wasn't our job at all. We weren't asked to look at that. We weren't asked to deal with that. We had a job for one month to flesh out the option of marketing choice. That's what we've done, and that's what we said we did, and we presented one viable model that we think would be a good model to implement marketing choice.

**The Chair:** Twenty seconds, Mr. Easter.

**Hon. Wayne Easter:** In terms of the Wheat Board's presentation to you, they submitted a response to your questions on October 13. Do you then as a task force—or is this another case of no evidence—accept the findings of the Wheat Board with respect to the benefits of the board's activities? You outlined them, you would know those, and they range in benefit between \$530 million to \$655 million annually. Do you dispute those?

**Mr. Howard Migie:** The task force didn't deal with that part of what the Wheat Board provided because that wasn't what we asked them to provide. We could have sought views of people—who supports which position and why—but that wasn't our task; it was to look at moving in this direction means...what? We asked the Wheat Board a number of questions, and we used the information they provided to answer the questions. In addition, they chose to provide information that answered a different question than we had asked, so as a group we didn't try to determine whether or not we would agree with the numbers provided.

**The Chair:** Thank you, Mr. Easter.

Mr. Roy, please.

[*Translation*]

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

I agree with Mr. Easter. I too have some reservations about your position. Basically, you're telling us that you've come up with a proposed model because you were asked to do so and that in fact, we're proceeding blindly. On page 22 of the French version of the report, you state that adjusting to a system where producers are free to choose how to market products will result in both winners and losers.

Based on what you're proposing, have you determined who will come out the loser in this process? In your opinion, who will come out on the losing end after the marketing model is changed? Can you tell me to what extent these individuals will be adversely impacted by the decision that will be made? You can't claim in a report that there will be loser without having examined this possibility. I for one would not make this kind of claim without first studying the situation.

• (1130)

[*English*]

**Mr. Howard Migie:** Paul is going to address the question of the adjustment side on winners and losers.

**Mr. Paul Orsak:** Thank you, Mr. Chairman.

My apology if I didn't get all your question. I was on the wrong channel to start with, but I think I have the gist of what you're asking.

The reference we made to winners and losers in a sense was that we didn't direct the comments specifically to a sector, to a company of the entire grain value chain. When changes are made, adjustments happen, and farmers, grain companies, and processors, everybody, has to adjust; a rebalance has to go on and a new equilibrium found in the overall industry. Obviously, the western Canadian grain industry is heavily influenced by the Canadian Wheat Board and its monopoly on wheat and barley and its heavy, heavy influence on the regulatory regime.

By changing that, by definition, a new equilibrium is going to be found, and, in a general sense, it implies that there could be some people's—

[*Translation*]

**Mr. Jean-Yves Roy:** As you said, the assumption is that along with this new equilibrium, there will be some losers. Have you determined who the losers will be? To say that changes will lead to fluctuations and so forth is to state the obvious.

Even though this wasn't part of your mandate, have you determined who will come out on the losing end? If someone were to ask me to draw up a report like this, either I would not make this kind of claim, or I would identify clearly who the losers would be.

[*English*]

**Mr. Howard Migie:** Perhaps I'll try to answer your question.

We spoke with a number of grain companies who came to see us—some small and some large ones. They have all operated with the Canadian Wheat Board system acting as a monopoly for as long as anyone can remember. The Canadian Wheat Board deals with all of them as a group, for many things. Because there's a monopoly, they act as a group. In the future, the Wheat Board may be dealing with them individually. Some companies are very well placed to start competing, and they may do quite well. But some have facilities in Vancouver and some don't. Their concerns are whether they will have the same access. They'll have to have different arrangements with different companies. The expectation is that there will be change. There will be a different competitive environment. Some companies might do very well, and some might not do so well. We can't identify which companies may do quite well and which will not. It will be a significant change for them. They've been operating a certain way. They've had a certain business relationship that will no longer be there. They may have to have new relationships. That's really what is referred to, and that's why time is important for some.

We met with maltsters who have concerns about whether they are ready for a different arrangement. They've been operating a certain way. They may need storage facilities that they don't have. Some are well placed and some are less well placed.

So there's a certain agitation amongst the entities that the Canadian Wheat Board interacts with now. They will be having a different interaction, but we really can't predict which companies in the end will do well. It's just that there's a worry. Some think they will do much worse. There's not a unified view from grain companies that they want the monopoly to end as quickly as possible. It's not the view at all. They say they've operated a certain way, they're comfortable with it, they know where they stand in relation to their competitors, and that this is a significant change.

[Translation]

**Mr. Jean-Yves Roy:** Clearly, then, we're flying blind. You can't tell me which businesses will be adversely affected or how the changes will affect them. You claim to be looking to the long term because the impact of the changes will be significant. However, that doesn't mean very much, in my estimation. If you had said that the impact will be major, then I wouldn't have a problem with that. Surely you're trying to tell me that these changes will have a major impact and will pose a threat to businesses. However, you can't tell me to what extent they will be affected. I wouldn't suggest this kind of change without having a clear idea of the ramifications. I'm sorry, but I just wouldn't be able to do it.

• (1135)

[English]

**Mr. Howard Migie:** What we're proposing is a transition period that allows enough time for the market to adjust.

Frankly, it reminds me very much of when I was working on the free trade agreement with the United States. Before it happened, there was a lot of worry and concern about which companies were going to do well and which would not. It certainly didn't turn out that way. The companies that did well were surprised. People made changes. It was very hard to predict, and you can't predict. People will change. The current business strategies that companies have, which are based on the Wheat Board acting with monopoly powers, will change. People will need to do things differently, and they have to get their mind around it.

That is really what we are saying. Change has to be allowed to occur, and we want to allow some time to have it done in a reasonable manner.

**The Chair:** Thank you, Mr. Roy.

I have a couple of points on something that has gone on so far. Does the market not adjust on an annual—or even sooner than that—basis, depending on how many acres of a certain commodity are grown and what the weather patterns do to that commodity? Is there not a market adjustment that's ongoing in this sector already—on almost a daily basis, if you read the markets?

**Mr. Robert Davies:** Certainly, Mr. Chairman. Clearly, there are acreage shifts, price shifts; there are a number of reasons why the marketplace moves, from a logistical standpoint, to different selling markets, to different sales positions. A number of those changes occurred today.

If I can just briefly touch on the question to predict a future competitive market dynamic, as the CEO of a company, I wish I had that ability; I wish we all did. We would understand much more clearly how to set strategy, but the marketplace will develop very clearly. As Paul said, we tried not to be prescriptive with CWB II, because they need to create a business model that provides an effective alternate choice for producers.

One that can be very successful from a risk management perspective is pooling. It holds a lot of appeal to a big segment of producers. Depending on how they implement that market choice, depending on who they contract with, depending on how all those things play together, there can be significant opportunities for some small players that on the surface you may say are going to be

significantly disadvantaged in the new marketplace, but that's very difficult to predict.

It depends on every individual strategy, it depends on the CWB II strategy, and it depends on farmers' uptake and the degree to which they want to be involved with CWB II as a risk manager for part of their farm operation. Those moving parts make it very difficult to predict where the wheel will stop. There's significant opportunity, but there clearly is risk, and those are things we can't identify to balance very well.

**The Chair:** My final point before we move on to Mr. Bezan is this. There was a lot of talk about so-called projections of winners and losers in this, and it's hard to ascertain who they are. In a scenario where there's more wheat, barley, and durum grown because there's a better return on it, could not some of the losers be canola or pulse growers and processors, as farmers move to a lower-cost input commodity? The cost inputs on wheat or barley are one-third of what it costs me to put pulse or some canolas in the ground. Is that a potential loss?

**Mr. Robert Davies:** Mr. Chairman, the fundamental change we're going to see is that logistics will have a bigger impact on the cost of freight and the cost of moving the marketplace. We have significantly more domestic processing analysis in terms of biofuel or oilseed crushing facilities. Everything moves.

If you look at the Alberta barley market, it moves to freight and it prices to freight. We're going to see more of that in special crops and oilseeds. In the cereal grain business, a certain amount of masking occurs through the Canadian Wheat Board system in terms of freight and getting to effective marketplaces, and that will shift. That's very positive for the industry and it's very positive for farmers. People will grow specific things for specific markets. It's going to be better for us, but it's just going to take a bit of adjustment.

**Mr. Howard Migie:** I'd like to add one comment. It's not a zero-sum game, that there are an equal number of winners and losers. Currently, flour millers and grain companies are allowed to operate as a group when dealing with the Wheat Board on a number of things. They can work together, they can negotiate together, talk together, and group together with the Canadian Wheat Board because it has monopoly powers. That will all have to change. Under law, they will not be able to work together. There will be an unleashing of a certain type of competition that by necessity...and when I say it creates winners and losers, it's in that sense—the world competition will result in some winners and losers, but it's not a zero-sum game. I wanted to make that clear.

• (1140)

**The Chair:** Okay. Good. Thank you.

Mr. Bezan, seven minutes, please.

**Mr. James Bezan (Selkirk—Interlake, CPC):** Thank you, Mr. Chair. I want to thank all you gentlemen for coming in today and making a presentation. I want to thank you for the report.



What Mr. Easter was alluding to earlier, that who you listened to, who you took advice from, and who made presentations wasn't your job; your job was to provide us with some food for thought on transition, and you've done that. As a committee, we have an opportunity to review all the information that's been presented to committee. The government and the minister definitely have all the different reports out there, the pros and the cons of the Wheat Board, and we're going to make use of all the information out there in making this decision. This is just another part of the information package that's going to be required to move forward on policy development.

I do have some questions about the report you've prepared in particular. I was quite surprised about having a new Wheat Board Act, changing the existing legislation and moving into a new piece of legislation. In your vision, does CWB II have regulatory powers that would require legislation and a government stamp of approval?

**Mr. Howard Migie:** In the current Canadian Wheat Board Act, there are a large number of government responsibilities and roles and regulations. At the end of the transition, CWB II would not have any regulatory powers at all, and there would be no governmental role. The legislative changes would be very significant from what's in the current act. It was felt it would be much better to repeal the current act and have the transition measures move from the current act to the new act. You wouldn't have a government function and role and you wouldn't have any regulatory role in the new act.

**Mr. James Bezan:** So at the end of the day, after all the transition, there wouldn't be a need for any legislation.

**Mr. Howard Migie:** No, there will be a need for legislation, in the same way that there's an act of Parliament for the United Grain Growers set-up and there's an act of Parliament for CN Rail.

Certain things would be in there with respect to governance at the end of the day, and there may be certain restrictions applying to ownership by farmers, percentages, that would be in legislation, and there would be all the transition amounts that would go from the current to the new act.

There is one technical part that the Wheat Board raised in their presentation that would probably necessitate some measure. This pertains to the borrowings the Canadian Wheat Board made that go out for ten years and would be pretty difficult to extinguish now, because there would be significant penalties and it would be hard to get people together. So you could deal with that in the legislation.

**Mr. James Bezan:** One of the things you guys did refer to in your legislation was that the task force said the Wheat Board has a role in research. A lot of producers see it as an organization that has quite a bit of power in advocacy, especially in international trade matters and in fighting the United States in trade actions in the past.

In other commodities, we have check-offs that fund organizations, so they can provide research dollars. I know the cattle and hog industries have faced trade challenges from the United States on numerous occasions and have had to fight them at the international trade tribunal and NAFTA panel levels. Those were all funded through check-offs.

Do you see this being a role for CWB II, that possibly they could use a check-off to fund those types of activities?

**Mr. Howard Migie:** The approach we took was that when the Wheat Board is contributing to research, which they are for some market development activities.... CWB II would probably not play the same role, because some of these benefit the entire industry; they don't just benefit one player.

Even if in our view it's going to be a significant player, we're giving three years. We felt the Government of Canada should pick up the cost for three years, in which time those entities will have to work out a different arrangement.

It could be that CWB will be a contributor, but along with others in the industry, whether it's through a check-off that is more widespread.... But since the benefits are widespread, it would be unlikely that the CWB II would be providing the same contribution the CWB currently does.

• (1145)

**Mr. James Bezan:** Paul, one of the things you were talking about was a voluntary pooling similar to mutual funds. I hear from producers in my area of the world that they do like pooling, and they'd like to see voluntary pooling brought in under other commodities. This is something the task force considered.

I can visualize that in a voluntary wheat board they'd have to go out and sign forward contracts with the people who want forward future price contracts, or they're going to be selling on the spot.

How would it work in accessing farmers a year in advance to come into a pooling system? Do you visualize an opt in, opt out, or would the producer sign on the dotted line for so many tonnes? How do you visualize this?

**Mr. Paul Orsak:** Mr. Chairman, I can think of any number of ways that the CWB II could construct its contractual arrangements with farmers. There are a variety of ways it could pool. There could be annual pools, shorter pools, or they could have two or three pools running simultaneously. There are almost an infinite number of possibilities that you could consider in terms of pooling.

But I think the significant thing for farmers is going to be that if they want to enter into a pool, the contractual arrangements they will have to enter into with CWB II are going to have to be conventional, commercial-type contracts with perhaps sign-up deadlines, but certainly with consequences, rewards, and penalties for performance and non-performance.

When we referred to a tighter application of contracting, that's what we meant.

Did that answer your question?

**Mr. James Bezan:** Rob wants to answer now.

**Mr. Robert Davies:** If I could just touch briefly on one of the questions coming into this—and similar to Paul, coming into it I questioned how a pooling system could work—if you look at it practically, much of the existing crop doesn't get sold until the fall period of the following year, so the August 1 deadline for a crop year-end doesn't have a lot of relevance, particularly in a marketing perspective. So I don't think there's a reason people couldn't contract forward on cash contracts, basis contracts, and pooling contracts.

My own belief is that there will be some marketplaces—and the durum might be a specific one—where producers really see value in pooling, and they would commit tonnage to that going forward.

I hate to say that shorter or longer pools are all operational details, but that's what the new CWB II needs to create, which is how it wants to do those. But I think there's value in pooling, and I think producers see that as a risk management tool.

So it can work. It's just going to be a different mindset than today.

**The Chair:** Thank you, Mr. Bezan.

Mr. Atamanenko, seven minutes, please.

[Translation]

**Mr. Alex Atamanenko (British Columbia Southern Interior, NDP):** Good day and thank you for joining us.

I'd like to take up where Mr. Roy left off, speaking on the subject of losers. However, before I do that, I have a question for Mr. Orsak.  
[English]

Mr. Orsak, just a quick question for you. Are you still on the board of directors of Agricore United? Do you see this creating a new competitor for your company, and do you see any conflict in this area?

**Mr. Paul Orsak:** Thank you for the question, because it's an important one I want to clarify.

First and foremost, I am a member of the board of directors of Agricore United. Our governing act is an act of Parliament that sets out the governance and control of the company. I'm one of 15 members of the board of directors, who are elected democratically by producers, producer-members of the company. Our membership is defined by a certain amount of business that they do as a company, so they're bona fide farmers electing directors to the board of Agricore United to run the company.

In terms of a conflict of interest, when we began our work we very quickly set our advocacy outside the room. When I was in there, I didn't feel I was advocating on anyone's behalf. We had a specific job to do, with very well-defined terms of reference. Certainly, my involvement for 20 or 25 years speaks for itself. For years and years I've been advocating to try to help the entire industry develop a climate that fosters growth and prosperity. That's where I came from, and I don't see a conflict of interest. Agricore United will compete vigorously for business with CWB II.

**Mr. Alex Atamanenko:** Thank you very much.

I'm going to continue what was asked earlier on.

What's happening today has the potential for significant change, positively or negatively, not only in the grain industry but in our

rural way of life and in our country, as we know it. In other words, this is nothing short of a revolution, for lack of a better term. That's what I see in front of me. In retrospect, with revolutions, we always say there could have been a better way of doing this rather than changing drastically and having thousands and millions of people suffer. Russia is still recovering from the 1917 revolution, to put that in context.

You've been tasked to do this. In your opinion, could there have been a better way to examine the grain industry, to involve all players to come up with an evolutionary path, a fairer way to go than a one-month report? We're not sure how much of a comprehensive economic analysis was done.

My other question follows my colleague's point. Who is the loser? We've heard that while this company or that company may be a loser, what about the average grain producer in western Canada, not the person who is near the border who can farm and does custom farming from somebody else and has access to markets? What about someone near Blaine Lake, for example, where I spent summers as a kid? Let's look at the primary producer. We're all here because the primary producer is our number one focus.

Is he or she going to be the loser, and could there have been a better way? See if you have enough time to answer these questions.

• (1150)

**Mr. Howard Migie:** I'll take the first question.

This is one part of a process. Our task force was given one task, and it's only part of a much broader approach to making a decision. A meeting in Saskatoon was also one step in the process. The government has taken a clear policy direction. It took one step then; this is one step. It is providing some information to people. It's putting flesh on the bones of what marketing choice means and what it does not.

As well, I would certainly expect there will be opportunities for producers to look at the bigger picture of whether the policy is the right policy or not. Should it move or not? That's the forum where I would debate the questions you're asking.

Paul, do you want to comment on the second part?

**Mr. Paul Orsak:** On the question of winners and losers and of farmers and their geographic location and those kinds of...?

We all make adjustments everyday on our farm. I do that. Market events happen all around the world that I have to adjust my business plan to accommodate, to try to shelter my farm business from adverse effects or position myself for attaining positive effects.

Business is a dynamic thing; it's not static. You can't predict it. We don't control it. It's what makes it exciting to be a farmer. So farmers at Blaine Lake will adjust differently than farmers at Estevan. There's a different dynamic to them.

But markets arbitrage and find equilibrium, and producers will react accordingly.

Again, to summarize here, I thought long and hard before I put my name on the report, before I signed off on it. If I didn't believe the report was credible and defensible, I wouldn't have signed off on it. And I certainly wouldn't have signed off on it if I thought it was going to have adverse effects on farmers.

**Mr. Alex Atamanenko:** So you feel that this one-month report that proposes a drastic change in the way of life of agricultural producers has looked into all of the future negative effects on the average primary producers? Do you think it has dealt with that?

**Mr. Paul Orsak:** Again, our task force mandate was narrow. It was to answer the technical questions for transition. There's been debate since I was a baby about the value of single desk versus the costs people associate with marketing.

I would say it's not a revolutionary change, not a drastic change. We all face change everyday in our business. It's part of what makes me a farmer. If it was too predictable and too static, I guess I'd be a wage earner.

• (1155)

**The Chair:** Mr. Davies, have you got a final point on that?

**Mr. Robert Davies:** If I could just speak very quickly to that, the marketplace changes everyday. It creates winners and losers by the very nature of the marketplace.

Two canola crushing plants have been announced for Yorkton. So for people who are within a freight effective area of Yorkton, it fundamentally changes the way they farm, the value of their farm, what they will grow going forward, and their net economic return. Those things have all changed. The marketplace did that.

An ethanol plant will be announced that will create a different marketplace in areas that get drawn to that. Wheat Board or no Wheat Board, those are just commercial impacts. The value of somebody's farm, the way they do business, and how they do business will change.

What that does is displace other areas. So in our specific area in southern Saskatchewan, as people grow less durum in some other areas because they're not freight effective, it opens the door to a greater durum marketing opportunity for us.

So it's very difficult to say there will be winners here and losers there.

I've been to Blaine Lake as well, and there are some unique marketplace effects in Blaine Lake. Perhaps that will get to more livestock because they're going to be close to an ethanol plant, and they'll be able to get distillers' grain to feed their livestock cheaper. It would be incredibly difficult to try to evaluate all of the impacts of the marketplace within this.

You're correct. We created a template to move forward with, but we can't investigate each of those possible impacts.

**The Chair:** Thank you, Mr. Atamanenko.

We'll move to Mr. Steckle, for five minutes, please.

**Mr. Paul Steckle (Huron—Bruce, Lib.):** Thank you very much, gentlemen, for being here this morning.

I've come to the conclusion that in the absence of evidence, you are working in a bubble of faith. That puts us in that same realm, because we have to accept in faith what you've told us.

But I have some difficulty understanding how in one month's time, under the mandate you were given—and I have to put some faith in the fact that you guys are experts; at least, you were called to be experts. You have brought together all this knowledge, all this material, and have been able to put together a model for removing yourselves from single-desk selling and putting in place a model for transition, all in one month. Now that's a record. So we'll have to see where the future leads us.

But I really have a problem in understanding how we're going to move these assets, which belong to the Government of Canada, and it's now going to become farmer-owned. Farmers are broke, we're told, and they're going to now own \$100 million, or whatever the assets are.

And you expect the government that is now providing credit for the Wheat Board to provide credit to this agency. Does the government have an opportunity to have some representation on this board of directors? Who owns the shares? You have outlined at \$1 a share up to 2,000 shares, but you haven't indicated whether somebody in Illinois could own those shares also.

There are a lot of things I don't know about it. Is this going to be Canadian-owned, or is this another subsidiary of Cargill? What are we facing down the road? This is where my faith becomes rather weak.

**Mr. Howard Migie:** Maybe I can start, just to say it's proposed to start as a 100% prairie-farmer-owned entity. That's the start, and it's that way for at least the first couple of years. Then the board of directors of the day would have some flexibility to move partway down the path of being less than 100%, depending on what was put in the legislation. There may be limits that would make sure it was always a certain percentage, as was done in other instances.

**Mr. Paul Steckle:** How do you come up with \$100 million, if that's what it is?

**Mr. Howard Migie:** Just in terms of assets, if you look at the numbers, you'll see there's a proposal that roughly a little over \$100 million, which could be supplemented up to \$200 million, be transferred to this entity.

**Mr. Paul Steckle:** Yes, but Canadian taxpayers have paid for that. Why should Ontario and Quebec taxpayers pay the west?

**Mr. Howard Migie:** If you look carefully at the numbers, that's not the case. We would have a lot of assets in liabilities. The ones we're proposing to be transferred, whether it's the hopper cars or the building...these over time have been paid for by prairie farmers as a group. They've contributed to those assets through a deduction that shows up, in the case of hopper cars. In effect, a slightly lower initial payment or final payment system through the years has meant there's an asset for the cars. The contingency fund was built up a slightly different way, but those are not the Government of Canada.

Where the Government of Canada becomes involved is in the continuation of the borrowing guarantee that we provided up to this point. We would continue it for a period of time to be determined, up to a \$200 million limit for operating purposes. It's just for operating credit, to keep the same situation during the transition period, and then it would be gone after that.

• (1200)

**Mr. Paul Steckle:** Would that be fair for the competition, for the government to guarantee for CWB II and not for other regions?

**Mr. Howard Migie:** That's what we've balanced, that for the period of the transition we would continue to provide a guarantee of borrowing, which really means that the Wheat Board would be getting great interest rates on their borrowings, as they do now, for a period of years, up to \$200 million, which would allow them to cover all their operating expenses for that period. We're concerned with both, that there's a balance between giving a high probability that CWB II will be successful in the marketplace, not a guarantee but giving a reasonably high chance of success to all the other people who have made investments in the industry...that the Government of Canada is not providing an unfair advantage. We think we've provided a balance.

**Mr. Paul Steckle:** Not very long ago we had farmers at this table. The Farmer Rail Car Coalition wanted to buy railway cars, and in many cases these are the same people who said then that farmers shouldn't own the railway cars. Now these same farmers are saying they should own the Wheat Board. Something seems to have gone off the rails here.

**Mr. Howard Migie:** The Government of Canada would take over the liabilities. The assets that farmers, in effect, have paid for over the years would be transferred. Then we'd put two items in the window—one is up to \$75 million, if needed, that would be transferred to give it a boost, plus there'd be, for a period of transition, the \$200 million of guaranteed borrowings for operating purposes. There's no magic to it. It's not the case that somebody may feel it's more or less. It was our judgment that this was being fair to others in the marketplace while giving CWB II a pretty good chance of success.

**The Chair:** Thank you, Paul.

Mr. Gourde.

[Translation]

**Mr. Jacques Gourde (Lotbinière—Chutes-de-la-Chaudière, CPC):** In my opinion, the Canadian Wheat Board is an working tool for farmers. Let me tell you a little story, to put the issue into perspective.

Because my father was 44 years old when I was born, we often had differences of opinion, given the generation gap. We both

worked on the farm. The time came for us to replace a withering tool and some old tools with newer, faster and better performing ones available on the market. After talking about it for a year or two, my father went out and bought a new piece of equipment. However, when he came home, I realized that he had bought the exact same old model. He observed that it would save us time, since we would now have two identical pieces of equipment.

A year later, I bought the farm from him. The first thing I did was to go and buy some modern equipment. My father said he would never use it. In deference to his wishes, I kept the old equipment so that he could use it. The next morning, I hitched up the new piece of equipment to my tractor. My father reluctantly gave it a go and later admitted to me: Son, you were right: we have to change with the times.

In this era of global markets, we need to ask ourselves if our competitors — for example, the United States and Brazil — have better performing marketing tools than we do. Are we impeding our own growth? If we fail to renew our marketing tool, will Canadian producers be adversely affected in the medium and long term?

• (1205)

[English]

**Mr. Paul Orsak:** Thank you, Mr. Chairman. I think you make a compelling case for how business needs to evolve and modernize to remain competitive. It's a belief I share. So while there may be some resistance to change, I embrace change. It's a balancing act that we each do as individual businessmen.

But one thing I've come to believe as a farmer is that change forces me to focus on my business better and more intently. Very often, when I'm really fearing change, once I get through it I wish it had happened sooner.

[Translation]

**Mr. Jacques Gourde:** Let's suppose that I grow organic wheat for specific markets and that I'm aware of other producers who grow the same variety of wheat. If the opportunity arose to sign a contract for 25,000 tonnes with a flour mill requiring this particular variety of wheat, would the Canadian Wheat Board allow us to access these value-added markets?

[English]

**Mr. Robert Davies:** Certainly the CWB II would have every opportunity to help those producers, as would many other commercial interests. Practically, an end-user who has a flour mill and wants organic wheat could deal directly with the farmer. There may need to be nobody in the middle of that transaction.

So if enough producers saw the benefit of having somebody manage that transaction for them, if they saw value, they may pay my company, the Canadian Wheat Board II, or anybody who wants to participate in the middle of that transaction. But that's going to become very much value-based. There's no reason why the Wheat Board couldn't be involved in it, and there's no reason why they would have to be involved in it—if that answers your question.

**The Chair:** Thank you, Mr. Gourde.

Our time has expired, gentlemen. Thank you so much for your presentations here today.

Mr. Easter has a point of order.

**Hon. Wayne Easter:** What about the request for information? Am I going to get the list of witnesses, locations, and briefs that were presented?

You usually remind the witnesses, Mr. Chair, and I don't want you to forget.

**The Chair:** Well, they look very intelligent, so I didn't think they needed to be reminded.

**Some hon. members:** Oh, oh!

**The Chair:** But we can certainly do that at this point.

You gentlemen took notes. I know Mr. Migie was scrawling in shorthand.

**Mr. Paul Steckle:** My faith has run out.

**The Chair:** Mr. Steckle's faith has run out. That's a tragedy, Paul; I'm sorry to see that. Hang on, though, the future looks bright.

Gentlemen, you have a bit of homework to do. If you could get it back to the clerk as quickly as possible, we'll make sure Mr. Easter gets a copy of all of that.

Thank you so much for your work here today. I'm certain that it will be ongoing.

This portion of the meeting will suspend, and we'll wait for our witness changeover.

Mr. Atamanenko.

**Mr. Alex Atamanenko:** Would it be possible for all of the committee to get the same information?

**The Chair:** Yes, it will come to the clerk.

We'll do the translation, gentlemen. Don't worry about that.

• (1205) \_\_\_\_\_ (Pause) \_\_\_\_\_

• (1210)

**The Chair:** Let's call this meeting back to order.

In the second session here we have Bob Friesen from the Canadian Federation of Agriculture—Bob, thank you for coming—Rob Lobdell, president of West Central Road and Rail, and Mr. Avery Sahl, here as an individual.

Thank you for joining us here this afternoon, gentlemen.

I have to tell you that when I was coming in, I saw Bob Friesen going through the metal detector. He had his jacket off, and I thought, my God, we're strip-searching farmers again.

Thanks for getting through there, Bob. It's great to see you here.

Each of you gentlemen has a presentation. According to my list, we'll start with Bob.

**Mr. Bob Friesen (President, Canadian Federation of Agriculture):** Thank you very much, Mr. Chair. It is a pleasure for me to be here.

You do have a very short brief of the presentation I'm going to be making. I won't read that brief. I will relegate my comments to just simply verbal comments.

I would like to start out by applauding the minister and the government for taking a partial step in the right direction by announcing a plebiscite on barley. I would encourage the government and the minister to continue along that road of leadership and include wheat in the plebiscite as well. That's basically what I want to talk about today.

I'm not going to talk about the pros and cons of the Canadian Wheat Board. I'm going to talk about the importance of a plebiscite. Certainly, two weeks ago, CFA members from across Canada supported the call for a plebiscite because the principle of a plebiscite is very important to them. Also, there's the fact that in Ontario it was the producers who decided to eliminate the Wheat Board for wheat. In Quebec, they just recently decided on single-desk selling for wheat by producers as well, following what they've done in the hog industry, as well as in the maple syrup industry. My understanding is that they have it for rabbits now as well. But certainly CFA members called for a plebiscite.

I also want to talk about the importance of a debate on both sides of the issue, with adequate information to be dispensed. People can then look at this information, discuss the information, and then make a decision.

Why a plebiscite? I have several reasons why CFA members say it's very important to hold a plebiscite. Number one, of course, is that it's written in the act. CFA members feel that if it's written in the act, no other means should be taken or should be used to circumvent what is called for in the act. Let's simply do what the act defines we should do and ask farmers what they think should be done.

Secondly, there's a lot of talk about farmer empowerment and empowering farmers in the marketplace, but farmer empowerment is more than just that. Farmer empowerment, we believe, also entails allowing farmers to decide on what marketing system they want to use and what marketing system is best for the collective interest of agriculture.

Thirdly, many farmers have grown to depend on the Wheat Board as a tool that has empowered them in the marketplace. Given the fact that a decision on the Wheat Board, if it was deregulated, would be irreversible, we feel that's another reason these farmers need to be in on the decision that is made.

Fourthly, arbitrarily deregulating a marketing structure, we believe, sets a very important precedent for any other marketing structures that we have in Canada. I know the marketing structures themselves are very different, but the question is the same. Whether it's a provincial government or a federal government that deregulates a marketing structure, it does set an important precedent. Certainly, if a marketing structure is deregulated, that brings us much closer to either level of government deregulating other marketing structures arbitrarily as well.

Fifthly, it's all about partnership. I believe Minister Strahl said it best in his press release yesterday when he said that a plebiscite is a very important part of consultation, especially when you dispense all the information needed to make an intelligent decision. This is all about partnership, and, again, a plebiscite is an important way to consult with farmers.

But it does depend, then, on whether there's appropriate economic analyses and information out there. My second and last point deals with why we need that information out there.

First of all—and I believe it was Mr. Migie who it said earlier—there is a lot of information out there as to what benefits the Canadian Wheat Board accrues back to the primary production sector. There are all kinds of numbers out there. We believe it's important that farmers see all these economic analyses that show how much is accrued back to the farm gate, so that they can look at the numbers and determine exactly what the value is of the marketing structure they have had in the past and then weigh that value with value-added.

We've also heard a lot about value-added. We've heard people say that the Canadian Wheat Board is impeding value-added. CFA members would tell you that when you compare us with the U.S., the bigger impediment to value-added in Canada is our lack of competitive policy with the U.S., which we're currently working on, as you know. But certainly it has more to do with the lack of competitive policy than with any marketing structure we have in place.

●(1215)

But I believe it's very important to put that information out there as well. Last week when we had the three agricultural ministers here from western Canada, there was quite a discussion on value-added. Some of them had numbers to say that value-added has increased more in Canada than it has in, say, the states just across the border. But whatever information is right or wrong, that information needs to be put out there as well so that farmers can have a look at it. We then need to weigh the economic benefits of the value-added of whatever the Wheat Board accrues back to the primary production sector and have farmers have a look at it to again make sure they can make an intelligent decision.

The other point is that there has been a lot of talk that the Canadian Wheat Board could survive in a dual marketing system. This is where I'm going to be certainly not critical of the minister, but critical of the task force report. I believe the task force report had very little to do with the Canadian Wheat Board under a dual marketing system; it had more to do with how to start a new grain company. On that, I believe they were very long on rhetoric and very short on economic analysis.

This is about starting a new grain company. If I may be frank, Mr. Chair, it barely passes the laugh test. The fact is that we have just recently looked at what used to be three very rich wheat pools in western Canada. Because of a lack of competitive policy, they have either gone public or they have gone to partial foreign ownership. Basically, in terms of the control of these wheat pools by farmers, that control has been taken out of their hands.

To be able to say we could start a new grain company just like that to compete against other multinationals or even the large grain companies that we have in Canada, and the suggestion that \$100 million should do it... When you look at something like Agricore United, which has over \$1 billion in capital assets, or something like the Wheat Pool, which has up to something like \$300 million in capital assets, I believe there needs to be a heck of a lot more analysis and a much tougher look taken at the idea of starting a new grain company and saying it can be successful. That's true especially when you think that these farmers who are broke are supposed to start this new grain company.

To conclude my comments, Mr. Chair, those are the two points I want to make. Yes, there are arguments on both sides of the issue. Let's put all the adequate information and economic analyses out there that we can possibly get, have farmers look at the information, and then have farmers make the decision. We know there are good arguments on both sides, but the importance here is the information out there. Disperse the information and let farmers decide on a marketing structure, so that farmers across Canada who are involved in other marketing structures don't have the fear that they might wake up some morning and have their marketing structures deregulated as well.

Thank you very much.

●(1220)

**The Chair:** Thank you, Mr. Friesen.

Mr. Lobdell.

**Mr. Rob Lobdell (President, West Central Road & Rail):** Thank you very much.

I had a couple of photos that I was hoping to have distributed amongst the members, if that's possible.

To begin with, I would like to thank you for inviting me to speak to your committee today. Today I want to talk to you about producer cars, West Central Road & Rail, and the Canadian Wheat Board.

What are producer cars, and how did they come to be? A producer car is a railcar loaded with a producer's grain. It enables a producer to bypass the primary elevator system and ship the grain directly to destination, typically a port terminal.

How and why did the producers get the legislated right to load producer cars? Over a century ago, from the late 1800s to the early 1900s, producers were becoming increasingly discontented with the market power abuses of the grain companies and railways that were working together to dictate when, where, and how producers would deliver their grain. At that time, producers were able to influence the government of the day to draft legislation to address the market power and balance that existed. This led to the creation of the Canada Grain Act, which included provision for the right to load producer cars.

Producer cars were intended to serve as a competitive safety valve for producers. However, even with producers having the legislated right to load producer cars, grain companies and railways quickly found ways to stifle the practical application of that right.

Fast forward to the mid-1990s. As much as things had changed from the previous century, they remained the same. Once again, the railways and grain companies began working together to design a grain handling and transportation system that suited their best interests, at the expense of producers. This exercise by the railways and grain companies became known as rationalization and consolidation, which in the vernacular meant branch lines would be ripped up and elevators torn down. Enter West Central Road & Rail, a progressive group of producers in communities who in 1997 formed with the objective of retaining rail service to the region.

Initially, we watched helplessly as rail service dried up and elevators were razed to the ground. Finally, we decided enough was enough, so we went to the railway and told them that since they didn't want to service the line, West Central Road & Rail would buy it and operate it ourselves. The railway told us flatly to get lost—and I have the vernacular for that as well, but I won't share that with you. Why? Because according to them, they had already made agreements with the grain companies to abandon our line so that our area could serve as a catchment for high through-put elevators built on the line north of us.

Angered and dejected, we approached the Canadian Wheat Board for help. The Canadian Wheat Board informed us that they would need railcar orders before they could press the railway for service. That was when the idea struck us. We decided we were going to blow the dust off a century-old piece of legislation that gave us the right to load producer cars. Not only were we going to load producer cars, we were going to load a producer car train: one hundred producer cars in one day. In two weeks, we had one hundred producer car applications in hand.

Armed with railcar orders, we now had the leverage to enable the Canadian Wheat Board to press for rail service. But even with that leverage, it still took nearly three months of haggling and a formal complaint to the Canadian Transportation Agency before the railway begrudgingly provided rail service. It was that single event that launched West Central Road & Rail, an event that would never have taken place without the Canadian Wheat Board.

I have provided you with photos. You'll get to see how that event unfolded in the dead of winter, and why it was important.

What began as a one-time exercise to send a message to the railways and grain companies that we were not prepared to stand idly

by while they demarked our rail line into de facto abandonment became the catalyst that led to producer cars becoming a real, competitive alternative to the traditional grain handling system. West Central Road & Rail began offering producer car loading on an ongoing basis along our rail network, which generated orders and in turn gave the Canadian Wheat Board leverage to push for rail service.

Next, West Central Road & Rail went beyond our network and offered our producer car program across Saskatchewan. The success did not go unnoticed, and eventually several other entities imitated our model, and producer car numbers continued to rise. Never content with the status quo, West Central Road & Rail continued to grow and evolve. In 2001, West Central Road & Rail implemented a truly unique and innovative grain gathering system for the new millennium, based on producer cars. This included the construction of producer car loading facilities designed to support this new process.

● (1225)

One of my favourite pictures here is of one of the facilities. These facilities are capable of loading and unloading grain at a rate of 500 metric tonnes per hour. That means this facility can load 25 car blocks in less than six hours, while at the same time providing identity preservation to a high degree of segregation and quality control.

West Central Road & Rail's producer car system has moved producer cars beyond the competitive safety valve to a generator of intense competition. I will explain by citing a specific example. Trucking incentives across Saskatchewan average approximately \$4.50 per metric tonne. In the West Central Road & Rail region, we are continually targeted with trucking incentives ranging from \$10 to \$14 per metric tonne. Why? Because West Central Road & Rail exists. And that's where the Canadian Wheat Board comes in.

Without the Canadian Wheat Board, it is unlikely that West Central Road & Rail would have ever come into existence. Think about the forces that were marshalled against us. Matched against the railways and major grain companies, what chance would you have given us to succeed? If your answer exceed 0%, I can tell you matter of factly that you answered incorrectly.

The Canadian Wheat Board brings balance to what would otherwise be an imbalanced system. The Canadian Wheat Board's ability to exert influence on the grain handling and transportation system is a direct benefit of the Canadian Wheat Board's single-desk marketing. It is a benefit that is often overlooked and undervalued. As an example, who in the grain industry has ever formally challenged the railways head-on? The grain companies? No. They're too afraid, rightly or wrongly, of railway reprisals. Only the Canadian Wheat Board, at least successfully, has been willing to challenge the railways head on. Ultimately, the Canadian Wheat Board allows for fair access to the grain handling and transportation system, and that fosters a healthy and competitive environment.

Going back to producer cars by way of example, in the absence of the Canadian Wheat Board, what real opportunity would an individual producer have to load a producer car? First, he or she would have to find a buyer for the grain, someone willing to accept it on the basis that it would be shipped as a producer car. That in itself would be no easy task. What incentive would a vertically integrated grain company with a prairie delivery point only twenty miles from the producer's loading site have in accepting that grain? I would suggest very little.

Let's assume, though, that the producer is an incredibly skilled marketer and locks up a direct sale to a mill out east for a single- or even a ten-car block of grain. As a condition of sale, it is immediate shipment upon three weeks, pre-advance. If such a condition is not met, discounts will apply.

What influence do you think a single producer will have in exerting influence with the railway to get his car spotted and lifted in a timely manner in order to stay within the shipping terms of his or her contract? The answer is none. And even if the producer has a legitimate complaint against the railway, it is unlikely that he or she will have the finances or resources to act upon it. In the absence of the Canadian Wheat Board, a producer could very easily be priced out of or serviced out of the practical ability to load a producer car.

You can have a neon sign flashing in every community and farmyard across the prairies, displaying the message that producers have the legislated right to load producer cars, but what good is it? Legislated or not, if you cannot practically utilize a right, then the right is of no value. That will become a very real scenario in the absence of the Canadian Wheat Board. Additionally, it is not only producer cars that will be in jeopardy if the Canadian Wheat Board is dismantled. It will also adversely affect independent and producer-owned terminals, whether inland or at port, and short-line railways.

In closing, I would like you to look at the last picture I have provided for you. You will notice that there is a very thin line that separates those two realities. The outcome of what happens to the Canadian Wheat Board will determine which side of that line we, as producers, will follow.

Thank you.

•(1230)

**The Chair:** Mr. Lobdell.

Mr. Sahl, please.

**Mr. Avery Sahl (As an Individual):** Thank you, Mr. Chairman, gentlemen.

I had a report that I sent in about six days after I received my notice to appear before the committee. Obviously it didn't get printed in the two languages, so I'm going to do it verbally.

You might think by the look of me that I'm a little bit long in the tooth to get involved in this discussion.

**The Chair:** Yes, we have it in both official languages, Mr. Sahl. It was done and it has been distributed.

**Mr. Avery Sahl:** Oh, I'm sorry. I was led to believe it wouldn't be on time.

**The Chair:** Oh, no. We have a great clerk.

**Mr. Avery Sahl:** As I indicated, you might think I'm a little long in the tooth to be involved in this debate. But after hearing the wheat growers say they want to free up the industry and all those things, I'm going to give you a bit of a history about what happened when I was six years old.

I have farmed for sixty years in southern Saskatchewan, and my dad farmed for a long time before that. For farmers to get money to operate and buy groceries and whatever for the winter, right after the thrasher machine pulled out, they had to deliver grain. We were twenty miles from a small town that had three elevators.

My dad—I remember it very well—loaded up the grain in a tank on a sleigh, and he started out at the crack of dawn to go to that little town to deliver grain. When he got home, I remember he told my mother that all they would give him was the price for number three and that the price was down from the day before. This went on every day.

The farmers in the area decided they would measure that grain into the wagon and send it on the same route. There were a lot of farmers who lived behind us, and they did the same thing. They knew pretty well what they had on that load. When the load was weighed and they said it was not the weight they had when they first weighed it, the elevator said to take the weight or take it home. These were the days of the freedom the farmers had. There was no Canadian Wheat Board. There was no Canadian Grain Commission to judge what kind of grain you had. You took it or you left it. And that's the freedom the wheat growers now are asking for.

I should mention that the farmers even went so far as to buy a flat scale. They dug a hole about two miles from our farm so that when they drove over it in the morning, they would weigh it on this flat scale. They took it to the same town and they said this is the weight they got on a flat scale. They said to take their weight or take it home—twenty miles. You know what the farmers did? They had to take it home; they had no choice. There was no cash advance, no Canadian Grain Commission to even check the scales, and if there was a dispute about the grade, that was too bad.

Anyway, I want to tell you a little bit about myself. I said I farmed in southern Saskatchewan for sixty years and that my dad farmed before that. For every position I held, I was elected; I was never appointed. I was elected as a delegate to the Saskatchewan Wheat Pool. I moved up in the ranks, and I finally left as first vice-president. So I got to know a lot of ins and outs about the grain companies and how to deal with the Canadian Wheat Board.

At about that time we had grain up to here, and there was a report that there was virtually starvation in China. We had grain we could sell. They asked the former prime minister, the Right Honourable John Diefenbaker, if he could arrange that the board go into China. He did that. McNamara, who was the chief commissioner at that time, and a couple of others, went into China. They were holed up in a hotel in Beijing for two weeks and nobody knew what was happening. Word finally got out that they had made a large wheat sale to China.



Lo and behold, when the word got out, Mr. Alvin Hamilton—I can recall it—took the first route he could get to Hong Kong to meet them. That's why Alvin Hamilton got the name, because he sold the wheat. When Mr. McNamara was asked about that at a SaskPool meeting—and I can recall it because I was there—he said, “I don't give a damn who gets the credit, I sold a lot of Canadian wheat and a lot of Chinese had food to eat.” That's just one little bit of the history.

● (1235)

I happened to go to China—I've been to China and Japan—but I didn't go with the Wheat Board. I went with a group of U.S. cooperative people who asked me to go. We visited Japan, and then we went to China. When we got to Shanghai, I asked the tour conductor if I could see a discharge elevator in a grain mill, a flour mill. Oh, yes, so we drove and finally found it.

We were introduced to the general manager of that Chinese flour mill. We were up on top of that flour mill. I had a cap on with “CWB” on it. Incidentally, they were unloading a cargo of Canadian wheat. They always bought three because of price, but it was better than nothing. That Chinese guy grabbed that wheat, and he looked at me and he said, “Good, good”. I'll just tell you a little secret. I said, “Can I trade you?” This hat that I have here is the hat that guy wore in a Chinese mill in Shanghai, and he's wearing my Canadian Wheat Board hat.

The long of the story is that since then, the Wheat Board has sold more than 1.2 million tonnes of grain to China, and don't you think that hasn't resonated with the Chinese? So I suggest that if anybody goes to China, along with your maple leaf, you better take a Wheat Board logo, because it's pretty well known, not only in China but every place else.

I entertained a lot of Chinese delegations that came through Regina on their way to Winnipeg. They were still wearing the Mao jackets at that time and those kinds of hats, so you know when it was. That relationship has stayed with the Canadian Wheat Board ever since.

One day, my secretary came into my office and she said there were two fellows out there who were really upset about something. I told them to come in so that I could talk to them. They were two Japanese millers. They had a Reuters news release in their hands. It said there were farmers in southern Manitoba importing U.S. wheat and selling it for seed, so they were really upset. They said they buy 1 CWRS 13.5, and that was what they wanted. They did not want U.S. wheat mixed in with the wheat they got from Canada. So that's another experience that you better take.

When people start to talk about changing the grading system, eliminating the CWB, and all these kinds of things, that is the logo of Canada. That CWB is a logo, and you can distinguish it visually. Everybody knows what it is. If we were to drop that, it would be the same as General Motors dropping the Chevrolet logo from their cars. Don't ever forget that.

The wheat growers used to say that we're growing a Cadillac wheat but we should be growing a Chevrolet wheat. Well, I've been around this world long enough to know that there are a lot of Chevrolet wheats out there, but there aren't too many Cadillac wheats. Generally, we're short of that high-grade wheat to fill

premium markets. So there's another thing. Don't get confused about some of these things that they're trying to go on about dropping this and dropping our grading system and all that. It's served us pretty damn well, and it's still going to serve us well.

Just as a little idea of my history, I was elected to the advisory committee of the Wheat Board. That area included almost all of southern Saskatchewan. Incidentally, it included Mr. Anderson's current federal riding.

● (1240)

I was at a good many meetings in that area. I've spoken to a good many farmers, and I still talk to many farmers from all political parties, incidentally. When he says the Wheat Board's ideological, well, I'll tell you that it's not ideological, it's monetary. It's dollars and cents. That's what it is.

I served on the standards committee of the Canadian Grain Commission, establishing grades and this type of thing. The U.S. was always very jealous of the Canadian Grain Commission and our quality control, so their producers set up a meeting in Washington. They were going to try to duplicate the commission, so they asked if somebody there who was involved in that could go down and be with them.

When I got to the meeting in Washington, lo and behold, there were more grain company officials there than there were producers. The very first words they said were that they didn't need an organization like that in their business. They said they could conduct their business by buying farmers' grain and selling farmers' grain.

If you don't mind one more point, I was on the marketing panel that was established the last time the wheat growers were trying to move the Wheat Board out of the picture. We sent a letter out to seventy producers and asked them what they liked about the Canadian Wheat Board and what they didn't like. We never got any negative responses back other than one that said they liked it but they thought they paid too much. The others were favourable, big time.

The biggest miller in Indonesia made a special trip over to see us, and he said that if he has to buy grain from anybody other than the Wheat Board in Canada, he's going to the other store, and he meant Australia. That was his final remark, and I remember it very clearly.

I don't know. Maybe I've used up my time, sir.

**The Chair:** Unfortunately.

We'll open the round to questions, and you'll be able to answer those as well.

Thank you.

Mr. Easter, for seven minutes, please.

**Hon. Wayne Easter:** Thank you.

Thank you, folks.

Really, in one way or another, all of you mentioned the Canadian Wheat Board. Rob, maybe you said it best when you said the Canadian Wheat Board actually balances the system in terms of the powerful players out there, as opposed to the tens of thousands of grain producers up against the international grain trade and the railways.

Avery, you were vice-president of Saskatchewan Wheat Pool at one time, and when you were vice-president, the pools really worked in the farmers' interest. I spent years out there in western Canada, and I absolutely found it amazing how powerful those pools were. Now they really operate in the interests of their shareholders, who may be in New York or Toronto or elsewhere around the world. So at one time, where you did have allies in terms of your own pools that were working in your interest, to a great extent now they're just grain companies. They're out to make a buck for their shareholders, which I think comes to the point of the Wheat Board and this task force report that we heard some more about today: no evidence, no documentation.

Do you really think the answer is as the task force recommends, that what Canadian prairie farmers really need is another grain company?

• (1245)

**Mr. Avery Sahl:** It's so bizarre—I can hardly believe it. Who's driving this train? It's a group of wheat growers. They have no credibility whatsoever. I want to go through that. They wanted to get rid of the statutory rate, which was good for farmers. They wanted inland terminals. My son hauls, round trip, over 100 miles to an elevator. They said we were growing Cadillac wheat and we should be growing some of this other stuff. Well, that's crazy.

I went to a lot of meetings in the United States, with the wheat growers and the durum growers. They were there in full force at every meeting. They were badmouthing the Canadian Wheat Board and what it was doing. Durum growers were doing the same thing. I can tolerate that in our own country, but you shouldn't go out to your competitors' bailiwick and badmouth your own country. Even their president made a trip to Washington, for God's sake. It was the same type of thing. It's no darned wonder that the Russians rejected a cargo of U.S. wheat—for stone, gravel, you name it.

My point is that this train seems to be driven by a small group of people financed, believe it or not, by the province of Alberta, which put \$1 million into the thing. They've already got a dual market. They have a big feeding industry that they can't supply themselves. A lot of grain has to come in from Saskatchewan to service that big feed market. Saskatchewan grows as much as the other two combined.

**Hon. Wayne Easter:** Rob gave us a picture of the fine line between success and disaster. There is a lot of propaganda coming from the promoters. They're trying to indicate that they're not really about destroying the Wheat Board, and that this decision the government is promoting will not have an impact on producer cars or the transportation system. They're leaving that impression.

Rob, I think you differ with that opinion. Can you explain concretely how you feel this decision will impact producer cars and the ability of farmers to have a say from a power point of view?

**Mr. Rob Lobdell:** I've had first-hand experience in dealing with the railways. We have a large volume—3,500 cars a year. Even with that kind of volume, we sometimes have a difficult time with the ins and outs of dealing with the railways. You have to remember this. Oftentimes they try to say that producer cars have nothing to do with the Canadian Wheat Board, that they have to do with the Canadian Grain Commission. That is untrue. I will tell you why. Don't forget, somewhere, somehow you have to have an actual car allocated to you. The Canadian Wheat Board controls the pool of cars. Without the Canadian Wheat Board, it's highly unlikely that we would be able to access cars as we do now.

I want to make a comment. I had a chance to read the report as in-flight reading. I gave it the benefit of the doubt. I'm a person driven by practical experience and pragmatism—not philosophy or ideology. I come from an area that is a bastion of right-wing thinking, rather than left-wing thinking. Just for the record, that's Mr. Anderson's backyard.

I was waiting to see how we were going to have a viable Wheat Board, and we're not. The truth of the matter is that they're going to dismantle the Canadian Wheat Board and essentially create another grain company, the Canadian wheat pool, if you will. As we know it today, it is not the Canadian Wheat Board with the influence that it has in the grain transportation and handling system. It simply is not.

• (1250)

**Mr. Bob Friesen:** Thank you. I want to make a couple of points. First of all, there's not nearly enough information that CWB II would be able to survive. Let's ask all the grains and oilseeds producers who lost equity in SaskPool over the last two years, or in the Alberta Wheat Pool. None of them are going to believe for a minute that we could start a new grain company to compete against these other large companies. This is an information issue.

The other information issue is that farmers need to know this isn't a case where we'll try it for a couple of years and if it doesn't work we'll go back to a single-desk monopoly. It's going to be irreversible. You just need to look at chapter 11, the investment chapter in NAFTA, at the performance requirements. We need an analysis on what the loss of market power would do. Would it harm farmers or wouldn't it? I'd like to see information like that as well.

We also need to see better information on value-added. Most people don't know Canada is a larger net exporter of flour than the United States. Do farmers know that when they hear the argument that we're impeding value-added, or that companies are saying they'd like to set up a malting plant in western Canada, but they can't because of the Canadian Wheat Board? In fact, we can import malt barley from the U.S. with no tier 2, with no tariffs. That's not an impediment either. We need much better information out there, so we can have a really good objective discussion from both sides of the issue.

**The Chair:** Thank you, Mr. Friesen.

Before we move on, Rob, you made the point that you run 3,500 cars a year down your line. Can you give us a breakdown of the percentage of board and non-board grains?

**Mr. Rob Lobdell:** We've got no board grains, really.

**The Chair:** No non-board grains.

**Mr. Rob Lobdell:** Non-board grains, I'm sorry. That's correct. Even the overall numbers, I should tell you...over 11,000 cars were shipped. I think of that, only 168 were non-board.

**The Chair:** I just wanted you to make that point.

Mr. Bellavance.

[Translation]

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

My first question is directed to Mr. Friesen. Based on what you're saying—and I agree with you—it would appear that the government has charted a narrow course for the Canadian Wheat Board. It seems a great deal of planning has taken place. The Conservatives made a number of promises during the election campaign and have been working toward this goal for some time now. As you so rightly stated, we can't turn back the clock.

Ultimately, a new Canadian Wheat Board will emerge at the end of the process and other producers will be free to choose to do business as they see fit with operations, whether from the US or from some other world country. We won't be able to go back to the way things were before. Therefore, it's really important to think about this very carefully before taking any action.

That's why the opposition called for a plebiscite. You welcomed the decision made here in committee by the minister to hold a plebiscite, but only for barley growers.

How do you explain the fact that wheat growers, the largest group of grain growers in Western Canada, were not included? Do you have any idea why the minister chose to hold a plebiscite only for barley growers?

•(1255)

[English]

**Mr. Bob Friesen:** You'd have to ask the minister why he chose to only choose barley producers for a plebiscite. I agree with you there is no need to deregulate the single-desk monopoly to address any concerns I have heard. No concerns have warranted deregulating single-desk monopoly. They could all be addressed within the single-desk monopoly. Again, it's an information issue. Farmers need to know this. Farmers need to know what could be done and what's available to do without deregulating the single-desk monopoly. Should we then still deregulate it or should we address the problems within the single-desk monopoly? And again, it's a partnership issue. We have a government that has expressed recently and a long time ago that they want to be partners with producers. I believe they can show real leadership, one that farmers would appreciate, if they said, "Yes, let's have a good discussion, put the information out there, and let's let the farmers decide."

[Translation]

**Mr. André Bellavance:** For that to happen, these farmers, including wheat farmers, would have to be entitled to vote in a plebiscite. This choice would truly have to be made by all Western grain producers, without exception.

How do you feel about this, about the fact that only certain people or groups would be eligible to vote in this kind of plebiscite?

[English]

**Mr. Bob Friesen:** I don't think we should play with any numbers. I think all wheat and barley producers should be eligible on a one vote per person basis.

[Translation]

**Mr. André Bellavance:** Mr. Friesen, no doubt you've read the report presented to us earlier by the Task Force. Indeed, you were here when these officials testified. A marketing formula that would be advantageous to producers is mentioned in several chapters. It would involve purchasing grain from producers, thereby reducing supply chain costs.

Do you really believe that a new Canadian Wheat Board is needed to implement all of these resolutions? Could this possibly be achieved with the existing Canadian Wheat Board, barring a few changes? It's been done in the past. Of course, any organization must adapt to changing times. Do you believe that the needs of producers can be met by maintaining the current Canadian Wheat Board, or do we absolutely need to follow through with the drastic changes that have been proposed?

[English]

**Mr. Bob Friesen:** I would reiterate that I believe any concerns that have ever been expressed about the Canadian Wheat Board could well be dealt with within the single-desk monopoly.

The other concern I have is the implication that wholesale deregulation has for any other marketing structure in Canada. It is being justified by saying that farmers have to make changes every day of the week, so let's make this change, because they're used to change anyway. I believe it has real implications. I believe a strong signal needs to be sent out by this government that we will empower farmers to decide on the marketing structure that best suits the collective interest of agriculture. We have a very diversified agricultural industry in Canada. We always have to think of all of agriculture, not just certain parts, certain regions, or certain sectors.

**The Chair:** It's your question.

**Mr. Avery Sahl:** Yes. I ran across the general manager of the chicken board in Saskatchewan in the Winnipeg airport, on the way to Ottawa. He said, "For God's sake, who's next? Is it the chicken board? Is it the egg board? Is it some vegetable board? Is it the supply management?" He said, "Who in hell is next on the list?" That was his comment.

[Translation]

**Mr. André Bellavance:** Go ahead, Mr. Lobdell.

[English]

**Mr. Rob Lobdell:** Back to the situation, it frustrates me as a producer that for some reason people view the Canadian Wheat Board as somehow being locked in some sort of time warp in which they haven't changed over the last how many decades. It's ridiculous to assume that. I can tell you, the Wheat Board has changed dramatically over the past decade—dramatically, folks—with the farmer-elected directors. They are running that organization. I believe very strongly in two things: a market economy and democracy. And I also know that in a market economy, there's value in a monopoly. As a producer who controls that monopoly, I'm not sure I want to give it up just because there are a few who think they can do better outside of that. And I am certainly not willing to give it up without the democratic right to have a vote on that issue. I think if we're going to do that, fair's fair, and if there's a vote amongst wheat growers and barley growers and durum growers and the farmers determine that this wheat board should go, then it goes. But until then, I say it has to stay.

•(1300)

**The Chair:** Thank you, Mr. Bellavance.

Mr. Miller, go ahead for seven minutes, please.

**Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC):** Thank you very much, Mr. Chairman.

Thanks, gentlemen, for coming today.

I think that we all, on both sides of the table, have to show credibility, and we've got to be able to display that there is no conflict of interest and that kind of thing. To point out an example, Mr. Friesen, Mr. Sahl, Mr. Lobdell, you're all presidents of your organizations. I guess I would say, sitting here as a politician, that if I had been president of the CFA or the NFU or what have you, and then had come here, I'd be viewed or could be perceived as having a conflict or a bias towards any of those organizations any time they came before the board. So my question is first—and it has a yes or no answer—whether any of you has ever been a part of a board of directors of any political party, or has run as a candidate, or has tried to run as a candidate. I'm just curious. I just want to hear yes or no.

**Mr. Rob Lobdell:** The answer is no.

**Mr. Larry Miller:** Mr. Friesen.

**Mr. Bob Friesen:** On your first point, as far as a conflict of interest is concerned, I'm in no conflict of interest at all.

**Mr. Larry Miller:** I wasn't assuming that you were. I just asked a question.

**Mr. Bob Friesen:** With representing all the members of CFA—and this is why the CFA was a little quiet on this issue until we had a board of directors meeting two weeks ago—

**Mr. Larry Miller:** No, I'm not perceiving that you do on the CFA. My question was whether you have ever—

**Mr. Bob Friesen:** I've never run as a candidate for any political party, no.

**Mr. Larry Miller:** Did you try to at all?

**Mr. Bob Friesen:** I ran for a nomination.

**Mr. Larry Miller:** Okay.

Mr. Sahl.

**Mr. Avery Sahl:** No, I haven't.

**Mr. Larry Miller:** Thank you.

My next question is to you, Mr. Friesen. You were talking about plebiscites and what have you. A few years ago, hog marketing boards were deregulated. Was there a vote then to deregulate them?

**Mr. Bob Friesen:** Manitoba had single-desk selling in the hog industry and they went to dual marketing.

**Mr. Larry Miller:** Was there a plebiscite, sir?

**Mr. Bob Friesen:** No, there wasn't.

**Mr. Larry Miller:** Thank you.

Mr. Sahl, you indicated that you've been in the wheat business as a producer. That's good. I'm a producer myself, in beef mostly, but I have grown wheat and sold it. So, Mr. Sahl, I presume you must have some family or what have you in the business, still farming.

**Mr. Avery Sahl:** My son is on the farm. I'm out there every spring driving a tractor, and I drive the combine every fall.

**Mr. Larry Miller:** Good for you. My dad and father-in-law are still doing that, too, and that's good.

I've heard a lot of comment, because I have relatives who actively farm in Saskatchewan and Alberta, and I have friends who farm in those two provinces and in Manitoba. They've all told me that this issue over the Canadian Wheat Board has split families and neighbourhoods right down the middle. That's how divisive an issue it is. Does everyone in your family agree with your position on things, Mr. Sahl? Just a yes or no would be good.

**Mr. Avery Sahl:** As strange as it might seem, my granddaughter is a mouthpiece for the wheat growers—

**Mr. Larry Miller:** Oh, okay. Thank you, sir.

**Mr. Avery Sahl:** —and was here the other day, as I understand it.

**Mr. Larry Miller:** That's good enough, sir. I was just curious.

**Mr. Avery Sahl:** I could give you some history.

**Mr. Larry Miller:** Whatever. I don't need to know. I'm just curious. What I'm trying to say is that this is a very divisive issue across the country, across the west.

Mr. Friesen, again going back to the plebiscite that you mentioned, there have to be some qualifications on membership lists and what have you. It has been suggested that if you've sold grain in the last two years, that should qualify you for any plebiscite.

I'll give you a personal thing. I grew a bit of wheat, as I indicated. I haven't sold any for six or seven years. Now, I am in Ontario, but if I were under the same circumstances and living in Saskatchewan or whatever, do you think I should qualify to have a vote in that plebiscite?

•(1305)

**Mr. Bob Friesen:** The CFA has no position on that.

**Mr. Larry Miller:** Can I ask any of the other gentlemen, then?

**Mr. Avery Sahl:** Yes. When I was on the advisory committee of the Wheat Board, we knew there were even a lot of people on there who had passed away. We made a deliberate attempt—

**Mr. Larry Miller:** Mr. Sahl, it's a direct question, and I think it's pretty easy to answer.

**Mr. Avery Sahl:** Sorry.

**Mr. Larry Miller:** Do you have an opinion on that?

**Mr. Avery Sahl:** To give you a direct answer, I have to give an example.

**Mr. Larry Miller:** If you can, please make it quick, because I only have a few minutes and I do have some other questions.

**Mr. Avery Sahl:** In light of that, our farm was incorporated, so we'd have one entity in FIPA, and that lets me out. I'm a big part of that financially and every other way. I phoned the other day, and I'm not on the list.

**Mr. Larry Miller:** So you think that if you're in a corporation, yes, you should have a vote. That may be a fair comment. If I were in your shoes, I might think the same.

Mr. Lobdell.

**Mr. Rob Lobdell:** If you're a grain producer, I think you have every right to participate. There are reasons why you may not have grown wheat or durum in the past six years. I don't know what they would be, but certainly I know there are reasons that we sometimes grow less durum and more special crops. There are economic reasons to drive that. So I would certainly hope I would get an opportunity to vote on such an important decision.

**Mr. Larry Miller:** I have another one here.

Mr. Friesen, you are president of an organization that basically represents farmers from every province, I presume, or certainly the biggest part of them. Of course, your job with your organization is to try to represent every facet, every commodity, what have you. You're not commodity-based; you're looking at everyone. That's a correct assumption.

I guess I find your stand on this a little disturbing. I am a member of the Ontario Federation of Agriculture, which in turn basically makes me a member of your organization. Everybody here has to be treated the same. What the government has proposed to do with the Canadian Wheat Board is give everyone an option. It's not to get rid of the Wheat Board—that's nothing but fear-mongering—but to give everyone an option. The people who would like that freedom to make a choice benefit from this. The people who want to sell under the Wheat Board still have that choice. Everyone wins. I guess I would like to hear you justify how you could not go along with that, when everybody's a winner in the situation.

**The Chair:** Go ahead, Bob.

**Mr. Bob Friesen:** First of all, I justify my position by the fact that the members told me what our position is. If I don't speak for the members accurately, you know what happens to people like that. That's why we discussed it at our board of directors meeting two weeks ago. That's why in my presentation I didn't talk about the pros and cons of the Wheat Board and what we should do with it. The members were very adamant that farmers needed to make the

decision on marketing choice, and that included the president of the OFA on the board of directors as well.

That's fundamentally the CFA position. They don't go any deeper on what border eligibility should be, etc. They say it's important to put information out there, there's debate from both sides of the issue, they want a fair debate, and farmers should decide.

**The Chair:** Thank you, Mr. Friesen.

Mr. Atamanenko.

**Mr. Alex Atamanenko:** Thanks, gentlemen. I'll try to be quick. Sometimes it doesn't work out that way. Hopefully I'll get an answer from all of you.

Bob, you mentioned in your opening statement that you welcome the idea that there is going to be a plebiscite on barley, but overall you and your organization believe there should be a vote for all people using the Wheat Board.

Is it your position that, as in the softwood deal, it's not the best deal but you'll go with it if there's a vote for only barley producers, or is the CFA stating clearly that we need a vote for both wheat and barley producers?

**Mr. Bob Friesen:** We've stated very clearly that we need a vote for both. The announcement on holding a plebiscite for barley is a signal that they realize farmers should be part of the decision-making process on the marketing structure. We're saying that needs to be done for wheat as well.

**Mr. Alex Atamanenko:** Okay. Thanks.

Mr. Lobdell, you clearly believe that without the Canadian Wheat Board as it currently exists, your railroad would not exist, and there would be other effects in the rural communities. Could you expand on that a little, please?

• (1310)

**Mr. Rob Lobdell:** For starters, I don't run a railway; I run a producer car loading facility. Of course, it's going to have a devastating effect on rural communities, because you'll be losing valuable infrastructure if you lose rail lines, delivery points, etc. I think our model, the West Central Road & Rail model, has demonstrated just how effective it is in creating competition in the system. The only way we can create that competition is with the existence of the Canadian Wheat Board. In its absence, the market power of the other players, specifically railways and grain companies, would ensure that we simply could not exist.

I suggest to you that the Canadian Wheat Board, under the proposal by the task force, would be very much that same way. Essentially you're going to have a gagged and bound Wheat Board rendered unconscious and told to go out and compete without fiscal assets. It just isn't going to work.

**Mr. Alex Atamanenko:** Thank you.

Mr. Sahl, you've been around for a long time. You have lots of experience. Sometimes when we talk about trade unions we say they were really good years ago but we don't need them any more; times have changed. Yet we see that perhaps we need them more than ever because of privatization and global forces.

So the argument on the Wheat Board is that it was good when we got it going in the thirties, but times have changed. Today we need to change the way we do things. It's no longer relevant.

I'd like you to comment on that, please.

**Mr. Avery Sahl:** It's no secret from most of the producers I talk to that it just will not exist under the proposal, so I don't know if you need to say much more than that.

I was in the Canadian Grain Commission office inquiring about something, and the woman there had just had a phone call from a fellow who had moved from England and bought land in southern Saskatchewan. He wanted some information about a barley car. He said, "I can't believe it in Canada here. You guys have soldiers over in Afghanistan dying and fighting for democracy, yet the government in this country won't even acknowledge there is such thing as democracy."

We want a vote. That's what we want.

**Mr. Alex Atamanenko:** In the previous panel we talked about winners and losers, and the report mentions that there will be winners and losers. Who will these losers be if we go with CWB II, which will in effect become another grain company that may go the way of Saskatchewan Wheat Pool and all of that?

Could we start with Mr. Lobdell's comments on that?

**Mr. Rob Lobdell:** I heard Mr. Davies, who is a member of that same organization, say he was unconcerned, but because of the nature of my business, I've been in discussion with many of the ITAC members who own these independent inland terminals, port terminals, short-line railways, and the smaller grain companies, and overall I would say the biggest impact is going to be on producers. They are the losers you're going to see in this game.

I'm not suggesting there won't be any winners on the producer side. That would be very naive to say, because there will be. But sometimes what's best for the overall populace has to be taken into consideration.

It's no different from health care, frankly. If you take the health care model, I'm sure there are certain people who could do much better under a privatized system.

I'm just suggesting that in this case the Canadian Wheat Board serves producers and this industry very well.

**Mr. Alex Atamanenko:** Thank you.

Bob.

**Mr. Bob Friesen:** If the information is out there that there are going to be losers with the CWB II, they would be exactly the same farmers who were losers when they lost control of the western wheat pools we had, as a result of non-competitive policy with the U.S. So it would be the farmers who are members of a farmer-owned grain company, and that was the same thing that cost them when they were members of the wheat pools.

We need to see the economic analysis to determine whether there would be winners and losers and who they would be.

**Mr. Alex Atamanenko:** Mr. Sahl, somehow there is an implication in the report that the farmers have to adjust to the system. The implication is they're not as effective as they could be; they have to become more effective and efficient. Do you agree with that?

• (1315)

**Mr. Avery Sahl:** I do not.

**Mr. Alex Atamanenko:** Why?

**Mr. Avery Sahl:** I've seen that organization in operation for quite a few years. I've seen how they relate to the world, I know how they relate to farmers, and I certainly know the benefits they provide for farmers.

**Mr. Alex Atamanenko:** Thank you.

**The Chair:** Gentlemen, thank you so much for appearing here today. It's an ongoing issue that we're delving into and working our way through, trying to come to some understanding as to how we empower farmers so everyone gains in this issue.

This meeting stands adjourned.









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