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Chair

Mr. James Bezan

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•(1535)

[English]

The Chair (Mr. James Bezan (Selkirk—Interlake, CPC)): I will call this meeting to order.

We're going to continue with our hearings on the Canadian Wheat Board. Joining us today is Greg Arason, who is president and CEO of the Canadian Wheat Board. He's accompanied by David Anderson, no stranger to this committee, who is Parliamentary Secretary to the Minister of Agriculture and Agri-Food and the Minister for the Wheat Board.

I'm going to turn it over to you, Mr. Arason, for opening comments. You have ten minutes.

Mr. Greg Arason (President and Chief Executive Officer, Canadian Wheat Board): Thank you, Mr. Chair.

I would certainly like to thank the committee for inviting me to speak to you today.

As many of you know, this is my second tour of duty at the helm of the Wheat Board. I took on the challenge of leading the organization at this crucial and controversial time because I thought I could make a positive contribution to the Wheat Board's operations and marketing efforts. I believe in the board and the important role it has in maximizing farmers' returns. I believe in the Wheat Board as a major world-class supplier of wheat, durum, and barley to the global grain trade.

I indicated at the time of my appointment that my intention was to stay out of the politics of the single desk. My focus as interim CEO was going to be, and has been, to sell grain and to make sure that the organization runs smoothly. I have not strayed from that original commitment, nor will I stray from it today. However, when factual inaccuracies about the Wheat Board's performance find their way into a public forum, I believe it is my right and duty to correct that information. One example of such an inaccuracy relates to the Wheat Board's business relationship with Algeria. And I understand that this is one of the main reasons why I was called before you today.

A number of parties, including some members of Parliament, have recently stated publicly and in printed material that the Wheat Board has been underselling the market for durum wheat. This information is not factual and appears to have originated from material circulated by the U.S. Wheat Associates, a long-standing critic of the Canadian Wheat Board.

Canadian Wheat Board directors have access to detailed sales information on a regular basis. Through this process, the directors

can assure themselves that the Wheat Board is in fact obtaining fair value in relation to the values available to its international competitors. The mandate of the board is to maximize returns to producers and to develop strong and sustainable relationships with its customers around the world. By continually monitoring sales performance, the board of directors can determine whether CWB management is in fact meeting those objectives.

I would like to state unequivocally that sales of durum to Algeria have been made at competitive market prices that are not discounted or low. Our client in Algeria, the OAIC, has confirmed that fact, as do regular CWB sales reports that are reviewed by the board of directors.

There have also been accusations that the board is underselling the market compared to what is being achieved by Ontario farmers. It's been suggested that as of late January, an Ontario farmer selling hard red spring wheat with 13.5% protein would receive \$5.50 per bushel, whereas a grower on the prairies selling number one CWRS would receive about \$4.40 per bushel, approximately \$1.10 less, as a final pool return. The implication is that this suggests poor performance by the Wheat Board. That implication is incorrect because of several errors in the comparison.

To begin with, the article compares a spot price, the Ontario price, to a pool value, which is the Wheat Board pool return outlook. This is a misleading comparison. A pool value is, by definition, an average of prices achieved over an entire crop year. In a rising market, such as we have experienced so far this crop year, a spot price is always higher than a pooled price. Is the Wheat Board selling wheat at those high Ontario values and returning those dollars to farmers? Yes. In fact, Wheat Board values are even higher.

The source of the spot price of \$5.50 per bushel is not indicated, but it is undoubtedly a price at or near an Ontario mill. An appropriate comparison would therefore be the current price of, let's say, Saskatchewan wheat landed at an Ontario mill. On February 5, the Wheat Board offered eastern mills number one CWRS with 13.5% protein for \$230.47 per tonne at Thunder Bay. Add to this freight charges of \$25 from Thunder Bay to the mill, and the landed price equals \$255.47 per tonne, or \$6.95 per bushel.

The comparison, then, is between \$5.50 per bushel of hard red spring wheat to the Ontario farmer and \$6.95 to the Saskatchewan farmer. The truth, therefore, is the exact opposite of what has been contended.

The \$6.95 per bushel would be added to the pooled payments that western farmers receive for wheat sold throughout the 2006-2007 crop year. However, if the farmer decided to price his wheat through one of the Wheat Board's producer payment options, he or she could have locked in prices right around the \$240 per tonne mark. Backed off to a Saskatchewan location, this would have translated into returns of approximately \$5.20 per bushel.

• (1540)

To make the comparison even more valid, the price available to the Ontario farmer would also have to be backed off for freight, cleaning, and elevation. Therefore, the posted price of \$5.50 per bushel might in fact translate into a farmgate price very similar to what spot prices available through the Canadian Wheat Board are, and this is in spite of the huge freight disadvantage that prairie farmers face relative to their Ontario counterparts when serving eastern markets.

Making inaccurate statements about sales values and our relationship with specific customers is damaging to our business, and as a consequence is damaging to western Canadian farmers. This is about business; it's not a political debate. I believe very strongly—as the Canadian Wheat Board's entire board of directors believes very strongly—that any criticism of the Canadian Wheat Board should be based on fact, not on innuendo circulated by Canada's competitors.

The marketing of prairie wheat, durum, and barley is a business and a very competitive one. At the Canadian Wheat Board we believe that farmers' financial interests should come first. It's my sincere hope that in the future, efforts will be made to verify information of this nature with the Canadian Wheat Board prior to use and dissemination. Whatever political controversy surrounds the Canadian Wheat Board's single-desk mandate, it should not prevent the flow of accurate information between the Canadian Wheat Board and the federal government.

At this time, I'd like to make a few brief comments on our marketing efforts to date. As you may know, earlier this week the Canadian Wheat Board unveiled its price projections for the upcoming crop year at GrainWorld. While it's still very early, we're forecasting malting barley returns to be over \$30 per tonne higher than the current year's prices due to tight supplies and steady demand. High-quality durum and milling wheat values are also up over the current year.

Shortly after being appointed to my position, I communicated with farmers that the Canadian Wheat Board was ahead of target in marketing wheat and barley. I'm pleased to say that's still the case. However, our ability to deliver on the sales that we've made is in serious jeopardy. I would be remiss if I did not mention to the committee the urgent situation we are facing as a result of the CN strike, which compounded earlier movement difficulties on CN and CP lines.

Since farmers are captive to Canada's two major railways, any significant delays in the system often result in farmers paying penalties for delaying the loading of ocean vessels. During the strike, farmers are paying a few hundred thousand dollars a day. What we don't see as a line item in our financial report is the damage these

delays cause to the farmers' reputation as a reliable supplier of the high-quality product for which they're so well known.

When the CN strike first occurred, we very quickly urged the government to intervene and impose back-to-work legislation. When we make those urgent requests, we're not crying wolf. Stoppages like we've just experienced, combined with the ensuing delays that will occur as the system ramps up once more, are untenable for farmers. We need the government to look seriously at this issue.

That, Mr. Chair, concludes my comments. Thank you.

I certainly would welcome any questions that the members of committee might have.

The Chair: Thank you, Mr. Arason.

Mr. Anderson, your opening comments.

Mr. David Anderson (Parliamentary Secretary to the Minister for the Canadian Wheat Board): Thank you, Mr. Chair.

Western Canadian farmers are just asking for the same opportunity that farmers across the rest of this country have. The committee has worked hard on some of those issues to grant that. I think of the recommendation that we made on KVD a few months ago in our report. It was interesting because it was relevant. Again the other day we had a report out of Saskatoon where plant breeders are saying, "That needs to go ahead or we might as well be setting our breeding programs aside". So the committee has done some good work in those areas. We've all worked hard to make things work for farmers.

One area that we believe is important for farmers is the right to market their own products. And we've worked long and hard for western Canadian farmers to try to bring market freedom to them.

I want to give a bit of my history on this. I am a farmer in western Canada. We were farming in the early 1990s. We had a frost one fall, so the grain went from good quality to feed quality. The Wheat Board informed us that they really couldn't move that quantity of grain that we had on hand. So we started looking around, trying to find a place where we could market the grain. We were able to go to Great Falls and to find one of the big elevator companies there that would buy the grain. We began to make plans to move it across the border. We had to do the Wheat Board buy-back in order to do that. So you have to give the Wheat Board your sales information when you make those agreements. We did that. Then we got a call from the buyer in the United States saying "Sorry, we don't need your grain. We found a cheaper way to get it." We actually watched trucks drive out of our own elevators locally and followed them across the border and watched them unload across the border in the United States. Now the price that we received was about 80¢ a bushel less than what we had arranged for ourselves.

So that really began, in lots of ways, to focus farmers on the fact that they could actually do their marketing as well as anybody else could do it for them. And in our area, it actually encouraged people to move into a lot of other crops as well. We used to just grow all wheat and durum. I would say in our area now, it's probably about 50% wheat and durum, and the rest are specialty crops. We grow just about everything.

I don't know the numbers. Mr. Arason today says we should trust him. I've heard for a long time from the Canadian Wheat Board that we should just trust them on their numbers and that everything is okay. I know the figures on only some of the sales, and I know there is a discount on them for farmers.

Our policy has been clear over the last few years: we want to bring choice to western Canadian farmers. We don't have any intention of eliminating the Canadian Wheat Board, in spite of the rhetoric that you might hear from other sides. There are people who argue that the board can't work in a voluntary system; it's just not possible. I just want to read a little something that someone wrote up for me. It's somebody who knows a lot about this.

It's hard to know what to make of the CWB's claim that they cannot survive as a voluntary marketing agency. It would appear that they are either insincere, incompetent, or ignorant: Insincere because they know better but aren't saying; incompetent because they truly can't figure it out; or ignorant because they are unaware that prairie farmers already accomplished this feat in the 1920s.

Consider this: In the 1920s, farmers had no fax machines, no cell phones, no computers, and no Internet. They had no paved roads, no large grain trucks, and... no super-B's. They owned no terminals, no rail lines and, as of yet, no elevators. Yet under these conditions, they decided to form a voluntary wheat cooperative known as the prairie wheat pools.

The very challenges that the CWB says it cannot overcome were confronted and solved by farmers in the 1920s.

No elevators? No terminals? No problem. Existing elevator owners recognized they would be passing up business if they sniffed at the pools. Deals were struck to move pool grain.

Open market price higher than the pooled price? No big deal. Multi-year contracts were the solution. And when challenged in court, the contracts stood up. Problem after problem—confronted and solved by prairie farmers. In the 1920s.

It wasn't until the combination of the 1929 stock market crash, falling commodity prices and bad business decisions by management that the pools went broke and had to be bailed out.... Until that time, they had been growing and handling over 50 per cent of the prairie wheat crop. It was a voluntary pooling system that worked.

The quote from Vernon Fowke in his book *The National Policy and the Wheat Economy* says,

The pools represented a producer-owned and producer-controlled alternative to the open market system for the disposal of Canadian wheat. They were the first cooperatives to aspire to this position in the Canadian grain trade.... From 1923 to 1931 the open market survived as an alternative channel for the disposal of Canadian wheat in competition with the pools.

I would say that it's dishonest to say that the Wheat Board cannot survive as a voluntary wheat-marketing agency. It's already been done successfully. If the Wheat Board can't keep up to farmers in the 1920s, then I would suggest that they really probably do have a problem.

We've moved to bring farmers choice. To do that, the minister has moved ahead with a plebiscite that has three clear questions on it. I think every farmer understands those questions. They're very similar to the questions that are used on the Canadian Wheat Board surveys. So when they do their surveying, they—

• (1545)

[Translation]

Mr. André Bellavance (Richmond—Arthabaska, BQ): Can we ask Mr. Anderson to slow down a little?

[English]

The Chair: Could you slow down a bit?

[Translation]

Mr. André Bellavance: I have to meet his request; that's normal.

[English]

Mr. David Anderson: I'm sorry about that.

We have put in place a plebiscite with three clear questions. Farmers understand these questions, because they're virtually the same questions that the wheat board uses on their own surveys. Those questions are the following. Do you want to have the Wheat Board marketing all your barley? Do you want a system where you have choice in marketing, with the Wheat Board as one of those choices? Do you want a system where the Wheat Board is not permitted to market barley? We've sent those out, and people are returning them already. It's clear that they have an interest in participating in this plebiscite.

I should point out that the Canadian Wheat Board is a government entity. It exists because of government legislation. We were reminded of that a couple of weeks ago when Mr. McCallum in the House asked a question and referred to the Wheat Board as a government entity, so I think it's pretty clear that even the Liberals understand that.

Farmers and others know the Wheat Board exists because of government legislation, which is the Canadian Wheat Board Act. Some of the good news that farmers have coming is that on April 1, the access-to-information provisions are going to apply to the Canadian Wheat Board. I know there are a lot of people who are looking forward to that day, because they'll be able in some areas finally to discover what's been going on behind what they would see as a veil.

It's been our position that the Wheat Board must be focused on selling grain, not politicking, and we hope this is what they will do and expect it is what they will do in the future.

We have a discussion today about Algeria, and I want to talk about that a little, because Mr. Arason didn't tell quite the whole story. The U.S. Wheat Associates were not the ones who basically brought this forward. The whole discussion about Algerian grain prices came out of a December 17, 2006, article in an Algerian newspaper called *La Liberté*. I can make copies of it available to you. This is the one that's from the Canadian Wheat Board site; it's their translation. I just want to read from it.

According to the general director, Mohamed Kacem, of the OAIC, the bureau's choice of Canada as sole supplier is based on a number of objective factors that mean, and this is a quote:

Algeria gains a lot in every respect from this time-tested relationship that is built on confidence. It's the Canadian government that guarantees the quality of the product, since it carries out the quality controls, emphasizing that selling prices in Algeria are carefully studied, since our country receives preferential prices, which save Algeria tens of dollars per tonne purchased. And quality monitoring allows Algeria to save over a dollar per tonne processed.

Further down it says:

However, the benefits of doing business with Canada do not end there: according to Kacem, Canada also provides technical assistance in the form of training for executives from the OAIC and the agricultural sector. In addition, the Canadian supplier pays the loading costs, and facilitations are offered with regard to the method of payment.

And this is a direct quote from him: "No other country offers us these advantages." Clearly the Algerians are getting some sort of special deal.

We need to recognize four things, I think: first of all, that Algeria is getting a special deal—that's what was clear in the article; secondly, this special deal saves them apparently "tens of dollars per tonne purchased"; three, on top of the special pricing they get, the Wheat Board pays Algeria's loading costs; and fourth, they don't get the same deal from any other country but Canada.

I think farmers need to be aware of that. It's a good deal, apparently, for Algeria, but it may not be as good a deal for prairie farmers. But prairie farmers have no way of finding that out. Because these figures are hidden, there's no way we can determine whether it's a good deal or not.

I was struck by the fact that the Wheat Board had a number of their foreign customers line up to support the system. And when we see things like this, I guess it isn't a surprise that foreign customers would be happy to say we need to keep the system the way it is. In my estimation, as a western Canadian producer, this is just one more reason to give farmers choice in whether they want to deal with this system or not.

I'll think I'll stop there, Mr. Chair, and I'll be glad to answer questions.

•(1550)

The Chair: Thank you, Mr. Anderson, and thank you for staying under your time limit.

We'll open it to questions. I'll remind everybody that we agreed we were going to be here for an hour and fifteen minutes, so we will be adjourning at ten minutes to five o'clock.

We'll open it up to Mr. Easter for the first round, for seven minutes, please.

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

I guess we'll try to go to the nub of the issue. We've certainly seen quite a spectacle from a parliamentary secretary who's taken an oath of office to uphold the Canadian Wheat Board.

But thank you for your presentation, gentlemen.

Mr. Ted Menzies (MacLeod, CPC): On a point of order, Mr. Chair, I think that comment was completely inappropriate. The parliamentary secretary has taken an oath of office to uphold the office. It had nothing to do with the Canadian Wheat Board.

That's an absolutely ridiculous insinuation for you to presume.

Hon. Wayne Easter: He has a responsibility towards the Canadian Wheat Board not to provide misinformation, Mr. Menzies, let me tell you.

Mr. Ted Menzies: I don't think that was any part of his swearing-in ceremony, Mr. Easter.

The Chair: Mr. Easter, it's your time.

Hon. Wayne Easter: Okay. I hope that doesn't come from my time, Mr. Chair.

Thank you, gentlemen.

Mr. Arason, you're in an interesting dilemma. You're the new CEO, appointed by the government, after the previous CEO, who had the full confidence of the elected board of directors, was fired by the government for being honest and spelling out the facts about the Canadian Wheat Board.

I will say, having seen you in the position previously, that we do have confidence in you as CEO.

The remarks you made are very worrisome, in that I think, as we've seen from the parliamentary secretary's statement.... You say in your submission to us today that a number of parties, including members of Parliament, have recently stated publicly and in printed material that the Canadian Wheat Board has been underselling the market for durum wheat and as it relates to Algeria as well.

Has the minister's office, which would include the parliamentary secretary, requested the proper information and documentation from you in terms of your pricing regime? I know that it has to remain confidential for commercial reasons, and it puts you in a bind that you can't go out there and actually publicly say what you receive, but has their office requested information from the Wheat Board? Or have you provided it?

•(1555)

Mr. Greg Arason: Yes, Mr. Easter, the minister's office did request sales values for sales of durum wheat to Algeria for a period of approximately ten years, from 1996 to 2006. We did provide those sales values to the minister's office with a note that this was confidential information.

We also, when we provided that, offered to meet with the minister to go over those values as well as competitive values available in the market at the time. I'm certainly prepared to do that on a confidential basis. And I think that when I do that, it will confirm what I said about our pricing to Algeria.

Hon. Wayne Easter: Maybe you're not at liberty, so just tell me if you can't answer this next question. Are you at liberty to confirm with this committee that those sales were at premium prices relative to our competitors?

Mr. Greg Arason: For the most part, yes, and it depends upon which competitor. For the market into Algeria, there are a few competitors. There's grain in the region. There's grain from the U.S.—durum from the U.S.—and at times from Australia. We are by far the biggest supplier of durum wheat in the world, and Algeria is one of the biggest customers. We have a long history with them, and I will say that over the years, when I have been involved—and I've been to Algeria and negotiated those sales—they have been made at premiums to competitive prices. There are a number of reasons for that, including the fact that we deliver high quality and that we have a very good technical relationship. It all comes down to customer service, and customer service adds value.

Hon. Wayne Easter: So if that's the case, why would the parliamentary secretary—as he answered in the House on February 2 and February 14, and as he has been promoting on his board, and I have a number of householders that go out from members of Parliament of the government party—basically continue to perpetuate what I could say is nothing short of a lie and misinformation?

Mr. Greg Arason: I wouldn't presume to answer for anyone else. All I would say is that we have made the offer to the minister to share that detailed information on a confidential basis. Our board of directors sees it on a regular basis as part of their due diligence in monitoring the management of the Wheat Board. And we're prepared to make that same information available.

Hon. Wayne Easter: Mr. Chair, this is extremely serious. The minister's own statement on *The Rutherford Show* was basically that Algerian ministers over in their state buying enterprise were saying that they love dealing with Canada, and they get a really good deal—a really good deal. They get several dollars a tonne federal cheaper than they can get anywhere else. That's coming from a Canadian minister.

I mean, that is pretty sad, Mr. Chair. The minister and his parliamentary secretary should at least try to deal with the facts on this issue. They can get the confidential information. I take Mr. Arason at his word.

● (1600)

Mr. David Anderson: Actually, I can't get the information. I would love to have it.

The Chair: He's also a member of the committee.

Hon. Charles Hubbard (Miramichi, Lib.): He's not sitting here as a member of the committee. He's a witness.

The Chair: We're going through this, but he's a still a member. We still have four members at the table today.

Anyway, go on.

Hon. Wayne Easter: In any event, I'm not worried about it.

They have access to that information, and I think it's terrible when the minister does not avail himself of that information to deal with the substantive facts. Maybe that's one of the reasons why he hasn't answered the questions in the House.

The information that is being put out by you on your blog, Mr. Anderson, and through some of the householders of some of your colleagues, which I expect comes from you because it seems to be you who's driving the wedge against the Canadian Wheat Board.... Listening to the evidence from Mr. Arason here now, are you willing

to clear the record and admit that information is wrong so we can have a substantive debate on the Wheat Board based on the facts, rather than the fiction you continue to propagate?

The Chair: Mr. Easter, you're out of time.

Mr. David Anderson: I hope I have a few minutes here, because I want to talk about the prices I do know; I can't talk about the prices I don't know.

For 15 years I've heard the Wheat Board say “We're selling your grain. We're doing a good job.” That's what prairie farmers are used to hearing. This is not a new message we're hearing today. That's fine. We accept that position. But I want to talk a little bit about some of the comparisons that have been done in western Canada on wheat we are actually selling. On February 14, for example, Canadian malt barley in Red Deer, Alberta, was priced at \$150 a tonne.

Hon. Wayne Easter: Mr. Chair, if the parliamentary secretary—

Mr. David Anderson: Mr. Easter, let me finish.

Hon. Wayne Easter: Point of order. If the parliamentary secretary is going to answer, why doesn't he answer the question and not stray from the question? In fact, Mr. Arason's paper dealt with the spot prices. We've seen his information on his website. We know it's propaganda, and Mr. Arason is correct that information is—

The Chair: Mr. Easter, let him answer the question. I think that's debate and not a point of order.

Mr. David Anderson: It was Mr. Easter who wanted me to come to the committee. I'm glad to be here, but I'd like to give the information so everyone has it.

● (1605)

The Chair: Go ahead, Mr. Anderson.

Mr. David Anderson: Take a look. On February 14 in Red Deer, Canada, malt prices were \$150 a tonne. Across the border in the U.S. at the golden triangle they were getting paid \$205 a tonne. Our feed in Red Deer was \$152 a tonne. Their feed in Montana was \$174 a tonne. Those are comparable prices.

I also want to talk about a few other comparisons that a couple of people have done. Brian Otto lives in Warner, Alberta, so he has a chance to check prices on both sides of the border. He's been very careful in the work he's done. I would just like to read a couple of the examples he's given.

He talked about Richard Gray's study and said:

I don't know what sales figures Mr. Gray was using to substantiate his claim, but the premiums he talks about have not reached my farm. Barley prices freight-on-board in Shelby, Montana, in January of 2007 were \$7.50 a hundredweight. This equates to \$3.60 a bushel American or \$4.25 a bushel Canadian net to the producer.

The malt price according to the Wheat Board's PRO is \$205 a tonne, which, after deducting freight and handling, equates to \$3.37 a bushel. If the Wheat Board sells for premium, why is my malt barley selling for 88¢ less in our system?

I think that's a fair question. He wants some freedom to market his own grain.

He's also done a comparison of some other wheats. He said:

I did a comparison between the price of spring wheat at 13.5 in the Canadian Wheat Board monopoly and spring wheat with a protein of 14 in the U.S., which are comparable. I used the October 19, 2006, Minneapolis December futures quote of \$211 for my comparison.

The cash price at Shelby, Montana, on this date for 14% protein spring wheat was \$4.75 per bushel in U.S. funds, which equates to \$5.32 Canadian. I used the Canadian Wheat Board fixed price contract for October 19 for my comparison to get a cash price. The Wheat Board quoted hard red spring wheat fixed price off the Minneapolis future of \$211.94 plus basis of \$12.48 per tonne minus a \$5 per tonne adjustment factor, which was \$219.42 basis Vancouver.

When I elevator, I use subcontracts. It's deductions for freight, handling, and cleaning of \$45 a tonne. My net price—

Mr. André Bellavance: David, slow down.

The Chair: Can you wrap it up so we can go on to the next round of questions?

Mr. David Anderson: Yes. I have only two more examples.

I'll go to the end:

The wheat is discounted \$21.43 per tonne in the system compared to Shelby, Montana, on the same day.

He has another comparison, and maybe we can come back to it later.

The Chair: We'll come back to that.

Mr. Bellavance, it's your time.

[*Translation*]

Mr. André Bellavance: Thank you, Mr. Chair.

Thank you for your evidence, gentlemen.

Mr. Arason, you're becoming President and CEO of the Canadian Wheat Board at a time when we're in the eye of the hurricane. It has to be said that the Conservative Party of Canada — and the Canadian Alliance before that — had determined long ago what it wanted to do with the Canadian Wheat Board.

I'll remind you a little of the history. There was a motion by Mr. Harper, the current Prime Minister, in 2002, when he was a member of the Canadian Alliance. In their election platform, the Conservatives had already stated what they wanted to do with the Canadian Wheat Board. There was also the appointment of this task force to which they appointed opponents to the Canadian Wheat Board as it was. Then there was the Order in Council that prevented the Canadian Wheat Board from justifying its existence and ensuring its survival. There was also Bill C-300, by our former committee chair, and the dismissal of your predecessor, Mr. Measner.

Then you arrived. There was a plebiscite. It goes without saying that the first ballots were recalled because it didn't go the way they wanted, for barley only, not for wheat.

So you were chosen, Mr. Arason. There must be a reason for that. I imagine you're in favour of what the government wants to do with the Canadian Wheat Board. Exactly what is the mandate you were given when you were hired?

[*English*]

Mr. Greg Arason: Thank you, Mr. Bellavance.

The mandate I was given when I was first hired—and this was included in the appointment letter that appointed me for a 90-day period—was to focus on the marketing of producers' grain from

western Canada and to refrain from participating in the public debate, either for or against the Canadian Wheat Board mandate.

My mandate is to run the business. I think that's the same mandate I had when I was first appointed by Mr. Goodale a number of years ago. I was hired as a CEO who had experience in the business, who understood the business. That's the mandate I have accepted, and that is what I have focused on. I have visited with customers. I have met with the grain industry. I have really focused on the business, and as I said in my opening remarks, I have not entered into the debate about the mandate of the board. I believe that's an issue that should be resolved by farmers, and ultimately by the government.

[*Translation*]

Mr. André Bellavance: Things aren't going very well when you're President and CEO and the mandate is not to intervene. You seem to accept that, but other people are intervening. I'm thinking, in particular, of Standard & Poor's, which has downgraded the Canadian Wheat Board's credit rating from AAA to AA+.

What do you think of that situation? Do you get the impression you are doing a good job of defending the people you represent? If must also be recalled that the majority of board members want to keep the Canadian Wheat Board's single window.

[*English*]

Mr. Greg Arason: I'm certainly aware of the Standard & Poor's rating, which I believe reflects the uncertainty around the Wheat Board, because they're aware of the debate going on in western Canada. I do not believe that rating in any way reflects on our management of the business or our relationship with the financial community. I think it's just a reflection of the uncertainty, and as a matter of fact it has not had any significant damaging effect on our borrowings or on our relationship with the financial community.

[*Translation*]

Mr. André Bellavance: In your view, does the government have a share of responsibility for this uncertainty? And has the uncertainty been created by what I stated earlier and what the government wants to do with the Canadian Wheat Board?

● (1610)

[*English*]

Mr. Greg Arason: Obviously the government has indicated that it is going to consult with producers. I think the clear direction the government has taken is understood.

Ultimately, that's a decision, as I said, that will be made by the government. I believe producers are having some say in that with respect to barley, and I understand the minister said that he would undertake the same process regarding wheat. It's not up to me to tell the government how to construct its policies.

I'll go back to my earlier comments: I'm there to run the business, and that's what I intend to do, with the mandate that we have or whatever mandate comes forward, assuming that I'm there, and that's probably fairly unlikely.

[*Translation*]

Mr. André Bellavance: You're the boss and you feel that the building is being shaken.

Mr. Jean-Philippe Gervais, who is a professor at the department of agri-food economics of Laval University, says that ending the Canadian Wheat Board's single window in favour of a voluntary system would give rise to the following, and I quote:

[...] CWB much less strong and its death would be virtually certain in three or four years.

What do you think of that?

[English]

Mr. Greg Arason: There are varying academic reports regarding the future of the Wheat Board. I don't really think it's my place to comment on any academic viewpoints. As I said earlier, I'm going to stick to running the business. Whatever mandate that business has, whoever the CEO is at the time will have that obligation. There's a lot of speculation about what might happen to the Wheat Board under different scenarios, but until something happens, nobody will really know for sure.

Mr. David Anderson: Can I answer that?

Actually, the board can take a leadership role in this. It's clear that there are people on the prairies who want to deal with them. A number of independent terminals have expressed interest in dealing with the board. They have to deal with them now, but they want to deal with them if there's going to be a voluntary system. A ton of producer car loading facilities people have talked to me and have said they would like to continue to deal with the board. At least one terminal apparently wants to deal with the board in the future.

The board of directors at the Canadian Wheat Board could be presenting a vision for the future that would allow the board to be very successful in the future in a voluntary system. There are a number of different ways, directions, or faces that it could have.

[Translation]

The Chair: Thank you, Mr. Bellavance.

[English]

Mr. Menzies, for seven minutes, please.

Mr. Ted Menzies: Thank you, Mr. Chair.

Thank you, gentlemen, for your presentations here today.

Greg, I'll take the liberty of calling you by your first name. You and I go back a long way. We've had many wonderful discussions about the Canadian Wheat Board, and we need to thank you for taking on this role again. It's certainly a challenging one for you, I'm sure, and a reincarnation of a great job that you did before.

I would really like to know who wrote that speech for you. I know you're not going to tell me, but I can't help but believe that isn't exactly what you would have wanted to tell us. However, I realize you need to stay impartial, so we'll accept that.

Hon. Charles Hubbard: On a point of order, I don't think it's our position to challenge witnesses as to who wrote their documents.

Mr. Ted Menzies: I'm not challenging. It's just a comment.

Moving on, some of the comments you make are about the PROs, and most years.... I should preface this by putting on the record that I also am a farmer, but all of my farming career of 30 years was under the jurisdiction of the Canadian Wheat Board. Having lived through

that—"lived" being the operative word—I think that I as well as Mr. Anderson have the common advantage of being able to pass a little judgment on what we actually received on our farms for our wheat and for our barley that went through the Canadian Wheat Board. Very seldom was it any higher than what the PROs were announced to be.

I have a couple of questions related to your comments. One is about the relevance of the whole argument about selling into Ontario. Very little wheat, I believe, comes off the prairies and ends up in Ontario. That would be one quick question needing just a simple answer.

In your comments, you say:

CWB's entire board of directors believes very strongly...that any criticism of the CWB should be based on fact....

I also agree that any support of the board should be based on fact. I like to think we've been very factual about the statements we've made.

I can't help but go back and wonder, when we see the kinds of letters that came to the board—in response to invitation, I'm sure—what a wonderful seller the Canadian Wheat Board was. I always like to go back to where I get the best deal too. I think that begs the question, how good a deal did they get? How poor a deal did Canadian farmers get?

I know we can't divulge those numbers. I want to share with you one question I asked of Stats Canada at committee this morning about sensitive factual numbers that Stats Canada uses in developing a trade strategy for Canadian companies. I asked, "What numbers, what sales figures do you get from the Canadian Wheat Board? Do you get actual, factual numbers to base all of your Stats Canada planning for the future on, for Canadian trade?" They said all they ever get is average numbers. That's pretty irrelevant to Stats Canada and pretty irrelevant to what we need as a value-added industry in this country.

My question to you, Mr. Arason, is this. At the time of your appointment the press was suggesting you were being paid more than your predecessor—a great job of negotiating, I guess. Can you share whether that is correct? And if so, and if you continue longer than you perhaps had thought you might to begin with, how is this compensation going to compare with Mr. Measner's?

•(1615)

Mr. Greg Arason: Ted, you raised a number of questions. I want to refer to a couple.

On the PROs, we go through a PRO analysis every month with the object of reflecting the market as well as we can at the time, taking into account sales, exchange rates, what the competition is doing, what world weather conditions are, etc. The PROs are actually designed to reflect the market as we see it at the time they're put out.

Yes, we sell a lot of wheat into Ontario. I can say that from what we see coming this year in the Ontario crop, sales will be even higher. We are a major supplier of mills in Ontario; that is a fact.

Mr. Ted Menzies: Can you give us a percentage?

Mr. Greg Arason: I don't have the percentage, Ted, but I will say that—

Mr. Ted Menzies: It would not be 50% or anything like that, to influence the price?

Mr. Greg Arason: I would say it's at least that, because a lot of the Ontario wheat goes into the U.S., into the cookie market, the cake market. It's a different type of wheat.

In terms of hard red spring wheat, I would say we are the major supplier into Ontario. We meet with the millers every year to plan our programs.

In terms of the issue you raised at the end, my compensation, yes, there was a lot of speculation about my compensation versus what my predecessor had been receiving. Actually, when it happened I negotiated with the Privy Council Office on what I thought was a fair compensation for taking on this job on an interim basis.

I did not have actual numbers on what the previous CEO received. That somehow got into the press, but what was reflected there and is in our latest annual report was a base salary. It did not include any benefits or other payments. When you take all that into account, the amount I'm receiving is less than what the previous CEO received for the fiscal year 2005-06.

As for going forward, I have no idea. That hasn't been determined.

Mr. Ted Menzies: I would hope you would have a plan for going forward for the Canadian Wheat Board without its monopoly, because we're certainly seeing that as the likely outcome. We would hope that would be part of your mandate, to prepare the board for its future without the monopoly.

• (1620)

Mr. Greg Arason: Just to respond to that, the board of directors has done scenario planning, looking at various types of operations going forward.

We had a significant planning session at the beginning of February, and out of that, management has instructions from the board to explore a number of alternatives for barley, specifically with and without the single desk. And management will be reporting back to the board on those issues at its March meeting.

Mr. Ted Menzies: Thank you.

The Chair: Mr. Atamanenko, for seven minutes.

Mr. Alex Atamanenko (British Columbia Southern Interior, NDP): Thanks very much for appearing, gentlemen.

I'd like to make the point that to my knowledge there are no voluntary wheat boards in the world that exist side by side with an open market. Maybe I could get a comment from each of you on that. In other words, either it exists or it doesn't exist.

Real Voice for Choice were in town, David. I think they still are. They claim that they represent all party lines, 70% of the producers, and they're strongly for the single desk. Could you comment on that, please? Do you agree that they represent 70% of the western Canadian farmers?

Mr. David Anderson: I don't know who they represent. I know the names of some of the organizers. I have no idea how big their organization is. We have a number of organizations that are out there lobbying, and these folks are one of them.

Mr. Alex Atamanenko: Okay.

David, do the farmers in your riding support your position of removing the single-desk advantage of the Wheat Board?

Mr. David Anderson: If you know the issue, and if you were on the prairies you would understand this, farmers across the west are divided on the issue. I would say we have about 20% who don't want the thing to change at all; we have 20% or 25% who would like to see the board gone, and that was evidenced by the Manitoba plebiscite; and I would say you have the rest in the middle, who would like to see some choice, a voluntary Wheat Board.

And actually that's what's demonstrated. I have the chart here from the Wheat Board survey last year, if I can find it, and we can just lay it out for you, because they do talk about.... The biggest portion was close to 50%, I believe, who wanted to have a voluntary Wheat Board with choice. And on both ends of the spectrum you've got people who hold the other positions.

Mr. Alex Atamanenko: Yes, I'm familiar with that material.

As a follow-up question, Larry Hill keeps getting re-elected as a director from your riding in your area, and he's a real proponent of single desk. How do you explain that? Does that mean that the majority of farmers believe in single desk in your riding?

Mr. David Anderson: Well, I keep getting elected there too. Does that mean I'm popular, or what?

The reality is that for the most part, on the side that has wanted freedom and wanted choice, a lot of those people have said, "I'm not going to participate in these elections. I don't want to support this system. I'm not going to participate in the election." So they choose not to, and I guess by default the other side often wins those elections.

Mr. Alex Atamanenko: Thank you.

Mr. Arason, you talked about Algeria in your letter, and David then mentioned a good deal for Algeria and other figures that were hidden. Obviously he was countering what you had said about Algeria. Could you comment on that, please?

Mr. Greg Arason: What I would say, to reiterate, is that the prices are the prices. We have made prices available to the minister, and to be fair, those prices went just a week ago to the minister. We're awaiting his response to sit down and talk about it. So that offer is there.

I think there is a lot more that goes into relationships than just price. There is a long-standing commitment, an understanding of the market, technical support, quality assurance, the Canadian system. And this is more than just the Wheat Board. The Canadian system has a great reputation in the world for providing a quality product.

All those things help the customer in putting a quality product to their customers. And we have customers all around the world—I was just in China and Japan—who will tell you the same thing. The Canadian Wheat Board and the Canadian system are very good suppliers. Buyers get what they pay for, they pay well for that, they get what they want, and they don't have any surprises.

That's the reputation the system has built over the years, and it's one that has put money in farmers' pockets, and hopefully it will continue to do so, because it is a system approach. The Wheat Board does not own assets. We have to work with the industry and with the grain commission and with farmers to make sure that customers get what they want.

• (1625)

Mr. Alex Atamanenko: I have a couple of minutes. I'm going to read the first paragraph of a letter from Ken Larsen, from Alberta. I'm not going to read everything, because I'd like to keep it as civil as possible.

I also know that we should learn from history. A lot of us are concerned about what's happening. We're concerned about what's going to happen in the future, and I wonder if we're learning from the past. So I'd just like your comments on this.

He states that Brian Mulroney removed oats from the Wheat Board in 1989, and that now this minister is resorting to all sorts of tactics to cover up the resulting disaster. He asks us to please list this farmer—that is, Mr. Larsen—explain how it worked for him:

At the Leslieville, Alberta Pool elevator, oat prices immediately dropped from the CWB's initial price of \$140.90 per tonne in June of 1989—with a later final payment of around \$45 per tonne from the CWB—to \$67.02 on the new private market that September. By February of 1991, oats had dropped to a mere \$51.34 a tonne. This is a disaster that played out across the prairies. It was almost seven years, after a radical decline in oat acreage and other international factors, before prices recovered to something like what the CWB had gotten for farmers. The background to this disaster is instructive for farmers contemplating their not-so-secret ballot on barley marketing.

I'll stop. I just would like to get a couple of comments from each of you, if you feel this is relevant to what's happening, if it's something in the past. In other words, should we be careful of where we're going?

Mr. Arason, please.

Mr. Greg Arason: Well, the oat market is an interesting case study, in that, yes, oats were removed from the Wheat Board. There are a lot of issues surrounding the oat market, including the fact that production declined in the U.S., there were tariffs in place that were removed, capacity increased in Canada in response to the market. I don't think I'm in a position to say one way or the other what happened when oats were removed.

Regarding Mr. Larsen's observations, I respect what he's saying. I was involved in the grain trade at the time. I was also involved with Can-Oat Milling later on and saw the evolution of that market. So I'm not sure I would make the same analogies for oats that I would make for other crops, because there were a lot of other factors at play at the time, including the removal of the single desk.

Mr. Alex Atamanenko: Thank you.

Mr. David Anderson: My only reaction, I guess, is to say Mr. Larsen's a strong Canadian Wheat Board supporter; we know that. Last weekend there was a small meeting in Regina of people to try to organize their campaign to get their point out about the Wheat Board. I think there were about twenty people there, or whatever. David Orchard introduced the opposition leader at that. Part of the planning document they had, in talking about that meeting, talked about using writers such as Ken Larsen to try to get their message out. So I would assume this is part of that.

The Chair: Your time's up, Mr. Atamanenko. Thank you very much.

Mr. Steckle, five minutes on the second round.

Mr. Paul Steckle (Huron—Bruce, Lib.): Mr. Arason, in October of last year there was a minister's task force on marketing choice, as you know, and of course in response to the board, which identified that the profit back to western grain producers was between \$530 million and \$600 million. Would you subscribe to those numbers or would you take issue with those numbers?

Mr. Greg Arason: I believe those numbers came—

Mr. Paul Steckle: They were as a benefit to the farmers because of the Wheat Board.

Mr. Greg Arason: As I indicated earlier, there have been a lot of studies that have come up with various benefits related to the maximization or returns through the single desk.

I would say off the top that any organization, whether you'd be in the grain business or whatever, that had control of the supply chain would be in a better position to maximize profits. I think that goes without saying.

The issue is, in many respects, pooled prices versus spot prices; we've talked about that. I think if we'd seen prices falling in this year we'd have different comments being made about pooled prices versus spot. But really, as I said in the beginning, I'm there to run a business. I believe we're selling at good values throughout the year.

You have to pace your sales throughout the year. You cannot be opportunistic, because customers can't take all the grain at once. They need to have a steady supply, a steady flow of product. The reality is that's how the grain industry works, whether it's canola or wheat or whatever.

I really would just say that with the tools we have, with the customer relationships we have, with the sales force we have, we do a good job of getting a fair return and a good return for farmers.

• (1630)

Mr. Paul Steckle: David, you have, I think, consistently given the impression to this committee that people you represent in your riding and in that part of western Canada do not take the view that the Wheat Board is the only agency, or perhaps the best agency, to market wheat. I have, over the last five months, received numerous letters from people from your particular riding, as well as from other ridings.

Given that your particular representative is a supporter of the Wheat Board, given that in recent elections that particular member had more than doubled the number of votes of his two competitors, who were not supportive of the Wheat Board, how do you rationalize that against your judgment that the people in your area are supportive of your views on the Wheat Board?

Mr. David Anderson: There are a couple of things, I think. First of all, I assume most of the numerous letters that you got came from one fax number. I think most of us experienced that. And I know that they were recruited, that people were going out—

Mr. Paul Steckle: They were from different people.

Mr. David Anderson: Yes, people were going out recruiting letters. They came with much the same format. That's fine; people can write in.

I respect the fact that Mr. Hill gets elected to the Canadian Wheat Board. That's fine. I have a lot of people who oppose his position, as well. I have lots of people who say they just aren't going to participate, because they believe they should have the freedom to market their own grain. They do not want to be part of that vote.

Mr. Paul Steckle: Two to one—wouldn't you suggest that's pretty substantial?

Mr. David Anderson: I think he got about 3,300 votes last time in that entire area, so—

Mr. Paul Steckle: That's more than twice what the other two got all put together.

Mr. David Anderson: That's fine; his people come out and vote.

Mr. Paul Steckle: That's what democracy's all about. What's wrong with the other people? Do they not feel that it's important?

Mr. David Anderson: I think it's been clear what my position on the Wheat Board has been since 2000, because during my elections at home, that's the issue that has dominated the public forums. We've got about the same six or eight people who come out to most of the public forums to make their points. We have discussed this ad nauseam, and we still seem to do okay in the ridings.

Mr. Paul Steckle: Mr. Arason, can you tell us whether you believe that single-desk selling, compared to making the Wheat Board an option for farmers—where it would become another grain company, in a competitive marketplace in North America, where we compete with the ADMs and the Cargills of this world—is going to be a situation that probably ends up in failure, similar to a marriage?

I look at the Wheat Board as a partnership between two people, between the farmers and the business itself. If you bring a third party in, and you have a concubine on the side, it isn't long before you have a divorce, and things start going all over the place. I'm just wondering whether you can find some similarity with that analogy. It's perhaps one that we quite understand. I fail to see how we can have both and think that it's going to give us the results we want.

Mr. Ted Menzies: A point of order, Mr. Chairman.

The Chair: I'm not sure I can....

Mr. Ted Menzies: Can I just jump in, Mr. Arason, and—

Mr. Paul Steckle: I have the floor.

Mr. Ted Menzies: —save you having to make the statement, since you have stated off the bat that you're not going to take either side of it? I think that was a leading question and very—

The Chair: I am going to rule on this.

Mr. Arason, you said that at the beginning, and if you don't want to answer this question, you don't have to.

Hon. Wayne Easter: A point of order.

The Chair: Mr. Easter.

Hon. Wayne Easter: Maybe the parliamentary secretary could answer this one: Will Mr. Arason be fired, as was the last CEO, if he answers the question?

The Chair: I don't think that's.... That's a matter of debate.

Mr. Paul Steckle: It was my period of time for asking questions. I didn't interfere in your period of time—

The Chair: Mr. Steckle, in fairness to Mr. Arason, he did state at the beginning that he's here to talk about his role at the Wheat Board, and he isn't going to be taking a position on the debate that's currently before farmers. I think we have to respect that.

• (1635)

Mr. Paul Steckle: I think Mr. Arason is able to answer that question, either yes or no.

The Chair: Mr. Arason, you don't have to answer that question. In fact, it's your call.

Mr. Greg Arason: I respect that, and I am going to.... I've consistently said this. This is a debate for farmers. What might happen down the road, under any system, is at this point hypothetical. I really, in all honesty, could not say with any assurance what might happen. That's not my role. My role is to manage the business. I'm going to stick to that.

The politics around the Wheat Board should be determined by farmers, in discussion with government.

The Chair: Thank you, Mr. Steckle.

Mr. Miller, you're on for five.

Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC): Thank you very much, Mr. Arason and Mr. Anderson, for coming today.

Mr. Arason, there are just a couple of comments I allude to. One is—I am not sure who asked you—the amount of western wheat that gets shipped into Ontario, and it's significant.

By the way, I'm an Ontario farmer, and I have sold wheat, although that was six or seven years ago, I believe. Ontario sells its wheat to the U.S. at a high cost. It almost appears that it's able to replace that wheat with cheaper wheat from the Canadian Wheat Board.

On your earlier comments, I read some of your media messages about Algerian wheat sales, and I assume that you'd have no problem releasing that sales data to us, or at least encouraging the minister to do so.

There's one other question that I'll throw in with this. I couldn't help but be intrigued a little bit when you were talking about your wages in relation to your predecessor's. I probably wouldn't have got into this except that usually when you bring somebody in on a contract position, for a short time, it's inflated for that, and this seems to be the reverse.

For the public record, I'd be interested in knowing what exactly was Mr. Measner's salary. I don't know whether there were any perks with this job. Did he have a car? Did he have any memberships in fitness clubs, golf clubs, that kind of thing? I would also like to know if there was a severance package as well and what that dollar amount was.

Mr. Greg Arason: With respect, I don't think it's appropriate for me to say anything more than what is published in our annual report, which was that the salary for the fiscal year 2005-06 was \$286,000. Within the Wheat Board, salaries plus benefits amount to about 1.3 times salary, so you could do that calculation.

When I was there previously, I did have a membership and a car allowance, so those things get added in. That's part of the package. That's what I'm saying.

In relation to what was quoted for me, which was about \$31,000 a month, I think, with some benefits attached, his salary would have been higher at that time, for that period, than I'm receiving now. Whether I negotiated badly or not, I guess that's my problem, but I did that in good faith with PCO because we had to make a quick decision when I was about to get appointed.

Could I just comment on the sales data? I do want to put this on the record.

Mr. Larry Miller: I do too, but just before you leave this, sir, I thought it was interesting to note that Mr. Measner's salary was more than the Prime Minister makes. You did touch on the clubs, but you didn't really say what type of clubs would go along with that job.

Mr. Greg Arason: A golf membership.

Mr. Larry Miller: Okay, a golf membership.

Mr. Greg Arason: I had the same thing.

• (1640)

Mr. Larry Miller: You're not going to touch the severance package?

Mr. Greg Arason: No. I believe the whole issue of severance has yet to be dealt with, and I don't want to get into that.

In regard to sales data, unfortunately I feel that I cannot disclose the details, because it's sensitive customer information. I will say again that we've made that available or will make it available to the minister, because I think we have an obligation to do that if he requests it.

All I can say to assure you is that I think when the minister sees that, he will accept the fact that those values were fair in relation to the competition and in fact returned a premium to farmers.

Mr. Larry Miller: On the comment around the philosophy of freedom of choice, I'm a beef farmer. I've done some cash cropping, but my main business is beef. As a beef farmer, whether I sell beef or grow beef in Ontario, New Brunswick, Newfoundland, or Alberta, I sell it on the free market.

If I'm in the berry industry, or the turkey or chicken industry, I am under supply management from coast to coast. If I grow soybeans, I'm in the free market system, coast to coast, but when it comes to barley and wheat and a few other crops, I'm under the free system of selling, except in one part of Canada.

You mentioned that you were also from producer roots—at least I believe I heard you right. When you compare the way other agricultural industry products are marketed in this country in the different sectors, whatever sector they're in and way of selling, they're consistent from coast to coast, but in the case of these, they aren't. Would you consider that, as a producer, to be right or fair, or seem fair? Do you have an opinion?

Mr. Greg Arason: I was a producer only in that I grew up on a farm. And just for the record, my grandfather was part of the original Manitoba Pool Elevators and was a contract signer and committed

his grain for five years to the pool in 1926. My father farmed that farm from that period up until he retired.

Really the issue of the Wheat Board in the designated area is that an act of Parliament defines the Wheat Board-designated area, and that has been in place for as long as I can recall. Therefore it's a decision of Parliament to define that area and how grain should be marketed within that area. Obviously it doesn't apply to other areas, but it is what it is because it's under an act of Parliament.

Mr. Larry Miller: And then it is Parliament's choice. Thank you.

The Chair: Mr. Bellavance, five minutes please.

[Translation]

Mr. André Bellavance: Thank you once again.

Mr. Anderson, you estimated the number of people who would like to keep the Canadian Wheat Board's single window at 20%.

I don't know where you got that figure, but I can tell you that we've been inundated with letters. We've seen Ipsos Reid polls, polls that are independent of the Canadian Wheat Board, as well as the results of the surveys by the Canadian Wheat Board itself. They show us something completely different.

In fact, what happened in Manitoba when the province decided to hold its own plebiscite on the question is equal to the best of the polls, in my view. We see that the vast majority of people want to keep the Canadian Wheat Board's single window.

In addition, a number of organizations representing thousands and thousands of farmers from across Canada are rising up against the present government's way of dealing with the commission.

This week, I like quoting Mr. Wilson, from the Western Producer. In the February 22 edition of that newspaper, he asked what I thought was a highly relevant question. He asked this:

[English]

“What happens to the Canadian Wheat Board if the monopoly is lost?”

[Translation]

The Canadian Federation of Agriculture, which is meeting in Ottawa this week said the following in a press release:

[...] no one has yet presented a viable plan for how the CWB can transition and remain strong [...]

Here we're talking about the eventuality of the single window being abolished.

There's also the Union des producteurs agricoles du Québec. I know that knowing that Quebec is concerned about this issue bothers some of my colleagues and even certain journalists in English Canada. I nevertheless think that they've outlined to you often enough the reasons why they're concerned with this.

There are two major collective marketing tools in Canada: the Canadian Wheat Board and supply management. The people from the Union des producteurs agricoles du Québec met with us, Mr. Duceppe, other members and myself, to tell us about developments on this issue.

In a news release, the Union des producteurs agricoles said this:

[...] the voluntary marketing agencies — that's what the present federal government wants to introduce in place of the CWB — invariably wind up failing, since producers lose the dominant strength that enabled them to enjoy better selling conditions in the market.

That's a news release that I can send you, Ted, if you want. Mr. Menzies does not agree with the remarks of the Union des producteurs agricoles du Québec.

Mr. Anderson, I'd like to know whether you think all these factors are rubbish or whether they have some basis. Your government has a duty to explain what will happen if the Canadian Wheat Board ever became a single window.

• (1645)

[English]

Mr. David Anderson: I'm not sure I got all of that clearly translated, but in our part of the world we don't believe that having freedom to do your own business means you will always fail, and if people aren't forced into pools they're always going to fail. In our part of the world, most people believe they can make their own decisions. We have people at both ends of the spectrum who are farming anywhere from a few acres up to 50,000 acres who feel they are competent to make their own business decisions. That's one of the aspects that comes into this.

As you can tell, there are lots of opinions across the country about this situation. Farmers in our part of the world would like the opportunities that farmers have in other parts of the country, and they would like freedom.

I will come back to the fact that the board of directors at the Canadian Wheat Board can and should be providing leadership in this, because clearly there is a mood and atmosphere for change in western Canada. It would be very simple for them to come up with a few changes to their situation that would provide for choice for farmers with virtually all the authority they have right now. I can think of some of those things. It's very simple. It's not complicated. There's a group there who does not want to move, they don't want to change, and because of that they have not come forward with any of these potential suggestions.

Some live in fear, but most farmers see the opportunity that's going to come from this. The people I'm talking to say this will give us more opportunities. Mr. Steckle had referred earlier to the supposed cost of opening things up. At committee, we heard that if we just changed the KVD system alone, we can probably save \$200 million in western Canada. Studies show it could be nearly \$1 billion of opportunity and a benefit to western Canada if we can give people the freedom to process and develop their own products. I'm excited about the opportunities, and most farmers are.

The Chair: Thank you, Mr. Bellavance; your time has expired.

Mr. Gourde, please, for five minutes.

[Translation]

Mr. Jacques Gourde (Lotbinière—Chutes-de-la-Chaudière, CPC): Thank you, Mr. Chair.

My question is for David.

I don't know whether western producers feel bullied. In Quebec, the federation of grain producers gives grain producers a choice.

They're free to market their grain as they wish, but they can also group together to market wheat for human consumption.

Could the Canadian Wheat Board show more flexibility toward those who produce specific grains, organic grains, for example, which are currently at a disadvantage because they aren't differentiated from other grains? Despite the specific properties of those grains, producers don't get the best market price.

We mustn't conceal the fact: grain varieties have evolved over the past 20 years, whether it's for making bread and cookies or in more specialized markets and niches. As a result of the way in which grain is currently marketed, these grains wind up in the elevators in the same way as grains of lesser value. That doesn't benefit producers. Could I have some information on that subject?

Thank you.

[English]

Mr. David Anderson: There are two things. One is that if we could open up the system in western Canada, we would have access to dozens more varieties of grain and dozens more opportunities to grow different products. I think that's why the committee recommended that the KVD system be set aside, so we do have those opportunities in western Canada that we have across the rest of the country. Ontario set that aside 17 years ago; their industry has bloomed because of that.

The second thing I have to say about that is organic producers in western Canada have been at a severe disadvantage because of our marketing system. Until this year, the Canadian Wheat Board has not marketed organic grain. The producers have gone out, they have made the sales, then they've had to make an arrangement through the Canadian Wheat Board to buy back their grain from the Wheat Board, and then make their sales. The Wheat Board takes a cut off the top for doing nothing.

This year, it's a big cut. A producer in my area said that over the last ten years that buy-back provision has probably cost him \$1 million on his farm. He's growing organic grain, and they've been able to sell it, but every time he sells a bushel of grain a cut goes to the Canadian Wheat Board, and they have not been the ones who have been marketing the grain.

This year the Wheat Board decided they were going to start getting into marketing the grain, so they picked one of the organic certification outfits they liked to set up a pilot project. I had organic farmers tell me what happened then is they phoned the people who are buying from them, and these guys said the Wheat Board had phoned them and told them they were going to be selling grain this year, so they expected them to have to deal with that and be in competition with them. Farmers wouldn't mind being in competition with them, but they don't like having to pay them the buy-back as well as trying to compete with them.

Mr. Gourde makes a good point, but western Canadian farmers would love to have that opportunity. Organic would be a good place for the board of directors to make some exceptions; they can give no cost buy-backs and export permits. The organic industry is not so big in western Canada that it's going to threaten the Wheat Board at all. This is one area where they could really show some leadership, open things up a bit, and it would be an area where farmers would then begin to believe they are interested in working with them.

• (1650)

The Chair: You have less than 30 seconds.

[Translation]

Mr. Jacques Gourde: Thank you very much.

Could Mr. Arason give me some details in response to my question?

[English]

Mr. Greg Arason: I would like to say something on KVD. We're certainly aware of the ongoing discussions around KVD. Our concern is that when KVD is replaced there has to be a system that will assure our customers they are getting what they want. The evolution away from KVD must occur in a manner that has support of all the participants in the industry. I think there is an industry effort under way to do that.

On the organic side, as has been noted, we have made some changes regarding organics. Ultimately it will be up to the board of directors to decide if those changes are heading us in the right direction and where they might go from there.

The Chair: I want to give one last question to Mr. Hubbard.

I know we had agreement by the committee beforehand, contrary to what Mr. Hubbard is saying.

Hon. Charles Hubbard: Contrary to your managing the time, Mr. Chair.

The Chair: Everybody is getting the same five minutes.

Hon. Charles Hubbard: We will look at the transcript and see how you managed the time. I'm very unhappy about the way it has gone.

I do have one closing question to the secretary.

A few years back a committee that was studying agriculture made a recommendation to the House that we have a vote on the future of the Wheat Board. Some of us around the table were members of that committee.

The trouble I have with this whole business is that the government, rather than having an open vote, has a parliamentary

secretary sitting before this committee saying that he and apparently the government are opposed to the vote. Does the government have a position to have an open vote on the Wheat Board, or does it have a definite program to see that the Wheat Board is closed?

In terms of his oath of office, could the parliamentary secretary say whether he represents an open vote where farmers can decide the future of their sales, or does he promote the concept that the Wheat Board should end in terms of being the sales agent for the many farmers in western Canada?

David, from my point of view, it's simply inconceivable that you as a parliamentary secretary can sit before this committee and advocate a personal point of view rather than representing the Government of Canada.

Mr. Chair, that is a very serious matter, which we, as a committee, have to address. Can he hold his office and advocate what the answer to that vote should be?

• (1655)

Mr. David Anderson: Clearly there are two parts to that.

On farmers in western Canada, there are a pile of them who say they don't want to vote, they want freedom. They deserve to have their voices heard. If you go to western Canada, you'll hear that.

The minister has said there's going to be a plebiscite. This plebiscite is ongoing right now. There are three questions being asked. Ballots are being returned. There is a plebiscite being held and it's going to—

Hon. Charles Hubbard: Mr. Chair, my difficulty is that as a parliamentary secretary he has taken a position, not on a fair vote, not on an open vote, but on what the outcome of the vote should be.

Mr. David Anderson: I just gave you my position, which is that the plebiscite is being held. The minister decided it's going to be the plebiscite—

Hon. Charles Hubbard: That's not what we heard today, David. It's not what we heard today.

The Chair: We agreed we would adjourn at ten minutes to five, and it's now five minutes to.

Mr. Anderson, I understand you have a plane to catch, and we are going to respect that. I wish you safe travel.

I thank you for your testimony today. We had a good discussion, for the most part. Thank you very much.

We are adjourned.

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