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# Standing Committee on Agriculture and Agri- Food

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**Thursday, May 14, 2009**

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**Chair**

**Mr. Larry Miller**

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## Standing Committee on Agriculture and Agri-Food

Thursday, May 14, 2009

• (1110)

[English]

**The Chair (Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC)):** I call this meeting to order.

Our committee is continuing its study on competitiveness in agriculture. We'll start with our witnesses, whom I would like to thank for attending today. I'm going to start with Mr. William Wilton and John Dawes from the Prairie Oat Growers Association.

**Mr. William Wilton (President, Prairie Oat Growers Association):** Good afternoon, ladies and gentlemen, members of the committee. Thank you for inviting us to address you today.

My name is Bill Wilton and I'm the president of the Prairie Oat Growers Association. I farm about 1,400 acres of cereals and oilseeds at Ile des Chênes, which is just eight kilometres south of Winnipeg. Also here today is POGA's executive director, Jack Dawes, who lives in Saltcoats, Saskatchewan.

The Prairie Oat Growers Association was formed in 1998 by a group of farmers from Alberta, Saskatchewan, and Manitoba who saw the need for an organization to develop and support partnerships in the agricultural industry that would enhance the profitability of oats for the grower and increase oat value to the consumer. Since that time, the Prairie Oat Growers Association has successfully established oat producer organizations in Saskatchewan and Manitoba. Through these organizations, some 14,000 oat producers commit their own check-off dollars to research, market development, and other activities. Going forward, we see our mission being complete with having Alberta in the fold and on stream by the end of 2009.

Canadian oat growers are at a severe competitive disadvantage in comparison with European Union oat growers, mainly from Finland and Sweden. In the past, the EU has granted subsidies of up to \$66.74 U.S. per tonne of Scandinavian oats shipped into the North American market. These subsidized oats compete directly with Canadian supplies, mainly in the southern and southeastern United States. In addition, the EU has in place punitive tariffs on the import of oats and oat products from non-EU countries such as Canada. These tariffs range from 89 euros per metric tonne on raw oats to 182 euros per metric tonne on flaked oat products.

At the same time, declining oat production in the EU, combined with increased consumption of oat products worldwide, indicates that there will be an opportunity for the export of Canadian oats and oat products to the EU. Your committee can help Canadian oat producers be more competitive by working to eliminate the EU

tariffs on oats and oat products and by opposing EU subsidies on oat exports.

Historically, Agriculture and Agri-Food Canada has helped to provide competitive advantages to oat growers. Oat research programs and support to the Cereal Research Centre at the University of Manitoba, the Crop Development Centre at the University of Saskatchewan, the AAFC facilities in Lacombe, Alberta, the Eastern Cereals and Oilseed Research Centre in Ottawa, and other AAFC facilities have provided Canadian oat producers with the best oat varieties and agronomics in the world. In fact, oats are the only Canadian cereal crop that has doubled its exports in the last 10 years. Domestic oat milling has increased by 50% over 10 years.

Oats have a tremendous story to tell. Recently we have become concerned about Ag Canada's ongoing commitment to oat research. Apparent lack of progress in building a replacement for the condemned Cereal Research Centre facility in Winnipeg is just one of those concerns. By way of illustration, we believe serious rust issues unique to the eastern prairies can best be addressed by research conducted in the affected areas where rust is recurrent.

From a human resources point of view, the impending retirement of a significant number of experienced senior oat researchers is a concern, since no process has been established to replace these researchers when they retire. The potential loss of their experience and knowledge is, frankly, alarming.

In the new Growing Forward model, Ag Canada seems determined to further engage industry in research funding. The Prairie Oat Breeding Consortium already in place and operated from the Cereal Research Centre in Winnipeg is a perfect example of successful cooperation between industry, producers, and government in funding oat research. The Prairie Oat Breeding Consortium is supported by American and Canadian oat millers, seed companies, oat producers, and Ag Canada. This consortium has been responsible for the development of the leading oat varieties in the eastern prairies. Further industry support to the Crop Development Centre in Saskatoon has helped in the development of the dominant oat varieties in the western prairies.

New initiatives and engaging industry participants are worthwhile ventures. However, AAFC must act to fulfill the department's traditional obligation to provide the basic necessities to foster and encourage research. Many studies have illustrated the outstanding returns on funds invested in agricultural research. Long-term commitments are necessary to encourage agricultural research.

• (1115)

It is apparent that A-base funding budgets at Agriculture Canada are shrinking in real dollar terms. Without committed long-term A-base funds to provide the facilities and human resources, research will stagnate for many crops that do not have the volume to attract industry investment. We submit that your committee can ensure that Canadian oat producers remain competitive by insisting that Agriculture Canada provide the long-term funding to support the facilities and human resources necessary for a vibrant research environment.

The continuing consolidation among suppliers of fertilizer, chemicals, fuel, equipment, handling, transportation, and financial services to the agriculture sector is an ongoing concern. This consolidation leads to a perception that there is no competition among suppliers, which in turn leads to higher costs for producers. For example, farmers are told that nitrogen fertilizer prices no longer reflect natural gas costs but are reflective of the manufacturers' ability to charge for their product. In addition, some chemicals are priced absurdly high in Canada compared to the U.S. price for the same chemical.

Elevation costs at high-efficiency elevators increase significantly on an annual basis.

Freight rates are another matter. Freight rates on oats from western Canada to U.S. destinations have increased seven times in the last 16 months, for a total increase of 34%. Farmers, who are the only participants in the supply chain who have no ability to recover increased costs, are expected to absorb these cost increases.

Your committee can help to ensure that Canadian agriculture remains competitive by insisting that the agencies responsible for enforcing competition enforce regulations in an equitable manner.

Mr. Chairman, I'll end my presentation there and welcome questions from any members of the committee.

**The Chair:** Thank you very much for keeping well under the time. I appreciate that.

We'll now move to the Western Canadian Wheat Growers Association. We have Mr. Kevin Bender and Mr. Blair Rutter here.

Gentlemen.

**Mr. Kevin Bender (President, Western Canadian Wheat Growers Association):** Mr. Chairman and members of the committee, my name is Kevin Bender. I farm in central Alberta, near Red Deer. We grow oats, wheat, barley, canola, and peas.

Accompanying me is Blair Rutter, our executive director, from Winnipeg.

Again, I thank you for this opportunity to speak on the Wheat Board file.

As the committee is aware, the Wheat Board incurred \$90 million in financial losses in its pricing options in the 2007-08 crop year. These losses amounted to almost \$20 per tonne on the 4.5 million tonnes marketed under the three pricing programs it offered to farmers. The Wheat Board might be forgiven for incurring these losses if it meant Canadians had received a \$20 per tonne premium under these programs; however, that was not the case.

A study by the C.D. Howe Institute, released last November, found that the average price available to prairie farmers for their spring wheat under the Wheat Board's daily price contract was almost \$33 per tonne below the average daily price at U.S. elevators. So in effect, prairie farmers lost more than \$50 per tonne under these programs: the \$20 hit they took on the Wheat Board's books plus the \$33 direct hit to our pocket books.

Bear in mind, too, that the CWB's daily pricing contract was their best pricing vehicle in the 2007-08 crop year. The pool return outlook for wheat was actually a further \$17 per tonne below the average daily price values. No matter how you look at it, the CWB's performance in 2007-08 was abysmal.

Of course, this doesn't stop them from boasting about record returns they have provided to farmers. Of course there were record returns. Wheat prices on the world market were more than double what we had ever seen before. In boasting of these returns, the CWB is simply trying to mask its true marketing performance.

Its marketing performance in the 2007-08 crop year was not a one-time event. The Informal study found that farm gate returns provided to U.S. farmers in the open market were higher than what Canadian farmers received in five of the past six years for both spring wheat and durum wheat.

The CWB's price performance in the current year is no better. For example, the projected pool return outlook for spring wheat is currently \$41 per tonne below the average daily price over the past nine months at 300 U.S. elevators tracked by the Minneapolis Grain Exchange. For a prairie farmer who grew 500 tonnes of wheat, the net bottom line loss amounts to more than \$25,000.

It also appears as if the Wheat Board had widened the basis on its forward price options in the current crop year in an attempt to recoup the recent losses to the contingency fund. For example, yesterday in Manitoba the Wheat Board was offering a price of \$6.39 per bushel for No. 1 spring wheat for fall delivery. This is exactly \$1 Canadian per bushel below prices on offer for fall delivery at U.S. elevators. For winter wheat, the penalty for dealing with the Wheat Board is even greater. Yesterday, the price offered on the Wheat Board's forward price contract on winter wheat was \$1.55 per bushel below the forward price offered at U.S. elevators.

The wheat growers do not believe we should be forced to accept the low prices offered by the Wheat Board. We should have the opportunity to lock in these forward prices if we so choose, as is the case for other crops. The wheat growers will be providing committee members with our spreadsheets and calculations so that this information can be verified.

In the face of all this evidence, the Wheat Board continues to boast that it captures a premium for prairie farmers, and yet year in and year out, the returns the Wheat Board provides are invariably lower than the returns provided by the open market.

Please note this is not about selling more wheat into the U.S. If the border were open, then U.S. prices would flow north. Arbitrage would ensure that prices on one side of the border would essentially be equal to prices on the other side, net of freight differences. Under an open market, you would not see these price discrepancies of \$1 per bushel or more. Prices would arbitrage just as they do in the canola market. In canola, the Informa study found that in eight of the past nine years, the returns provided to Canadian canola producers were modestly higher than our counterparts in the U.S. This demonstrates that the Canadian open market can compete very effectively and obtain good returns to farmers when it is allowed to function.

The wheat growers have called on the government to appoint an independent firm to conduct a thorough investigation of the CWB's trading activities in the 2007-08 crop year. The firm should be mandated to discover why proper risk management systems were not in place. It should also investigate whether there were any breaches in Wheat Board management policies and recommend measures to prevent such trading losses from recurring.

• (1120)

The wheat growers would support the appointment of the Auditor General to conduct the investigation, provided she is given a wide scope of investigation and is given the resources to hire expertise in commodity training and risk management.

The wheat growers support a voluntary Canadian Wheat Board. We fully appreciate and respect that some farmers want to use the grain marketing services of the Wheat Board. What we don't accept is being forced to use their services. Many of us want to either contract services from another grain company or market our grain on our own. This is the option that is available to farmers elsewhere in our country. The wheat growers do not believe the federal government should be discriminating against farmers based on where they live. We simply want the same dignity and respect shown to prairie farmers as is shown to farmers in Ontario and elsewhere in Canada. It should not be illegal for farmers in one part of the country to sell their grain direct to processors when farmers in other parts of the country are free to do so.

The wheat growers believe all Canadians should be treated equally under the law. We ask your committee to recommend an end to this discriminatory federal grain marketing policy. At the very least, the wheat growers want the opportunity to market our grain under the same terms and conditions as those now available to prairie producers of organic grain. Currently the Wheat Board provides preferential treatment to organic grain producers by giving them the opportunity to buy back their wheat for a nominal fee,

currently 21¢ for a bushel for wheat and 16¢ for durum. The wheat growers certainly support the choice of these farmers who engage in organic production methods; however, we believe the Wheat Board should be treating all farmers equally and not discriminating against certain producers solely on the basis of their method of production.

Again, we ask you to recommend that the minister instruct the Wheat Board to treat all farmers on an equitable basis.

The wheat growers also ask for your support in recommending changes to the Wheat Board election rules that would ensure that only actual producers are allowed to vote for Wheat Board directors and that a minimum tonnage threshold be introduced, so that those with little or no economic stake do not have the same say as those who depend on farming for their livelihood.

In the past two elections, the Wheat Board has mailed out ballots to over 62,000 permit book holders, even though 18,000 of them account for 80% of the deliveries. In other words, we now have a situation in which those representing 20% of the deliveries get 71% of the votes. We believe this goes a long way in explaining why the CWB election results do not reflect the majority of farmers, or certainly the majority of farm production that supports a voluntary Wheat Board.

Thank you again for the invitation to speak here and to share our views. We look forward to your questions.

• (1125)

**The Chair:** Thank you very much, Mr. Bender.

We now move to the Canadian Wheat Board, represented by Mr. Ian White and Mr. Larry Hill.

**Mr. Larry Hill (Chair, Board of Directors, Canadian Wheat Board):** Good morning, everyone. My name is Larry Hill. I farm near Swift Current, Saskatchewan, and I am chair of the Canadian Wheat Board's board of directors.

With me here this morning is Ian White, the president and CEO. I'll have some opening comments and then I'll give the floor over to Ian to deal with some of the operational issues we would like to address with the committee today.

First of all, I would like to thank the committee for inviting us here to speak to you. Over the past several weeks, a number of witnesses have appeared before the committee to talk about competitiveness in agriculture and how we can better compete with other players on the international stage. This morning I would like to focus my comments on competitive advantages beyond the farm gate.

As a grain producer and a business person with substantial dollars tied up in both capital and operating expenses, I want to make it clear that if I support the Canadian Wheat Board, it's not out of ideology or attachment to the past or fear that I won't be able to market my durum just as I market my pulses today. The reason I support it and have served as a member of the board of directors since 1999 is that to me a shared approach to marketing just makes good business sense. I've had the privilege of serving three terms, and if eight out of ten elected directors support maintenance of the single desk, it's pretty clear that I'm not alone. In fact, according to preliminary survey results from our most recent survey of western Canadian farmers, over 70% support the CWB.

I believe an examination of the durum industry may help to illustrate why. Western Canadian exports make up about 50% of the world trade in durum. If I can work with other durum producers and sell my grain as part of what is effectively a durum cartel, it only makes sense that we'll be able to influence the market in ways that I can't by acting on my own. This was certainly the case in the past crop year. When other sources of durum had essentially dried up in the fall and winter of 2007-08, the CWB continued to sell in what was the highest-value market anyone had ever seen.

Opponents of the single desk, some of whom have appeared before this committee, criticized the CWB in the fall of 2007 for not posting values that were as high as the spot prices that our counterparts in the U.S. were getting at the time, somewhere around \$6 to \$7 per bushel. Those were historically high levels, and much of the U.S. crop was in fact sold at those prices. Markets were far from peaking, however, and we ended making up sales at over three times those values and returning a price to producers of over \$12 per bushel for every bushel they sold. American durum producers are amazed when they find out that this is the price we got for each and every bushel through the pool.

The advantages of the CWB go well beyond the prices we receive, however. When you have one agent handling the marketing of some 18 million to 20 million tonnes of grain, it makes a great deal more sense to undertake the kind of long-term market development and branding efforts that you need to stay competitive. When the CWB goes to Southeast Asia, for example, to show processors the benefits of using durum in the making of Asian noodles, we know as growers that any increased sales will flow back directly to us. The same applies to funds that the CWB pumps into the Canadian International Grains Institute and all the test facilities that are found there.

The CWB is also part of an integrated system that has resulted in a reputation for western Canadian wheat and barley that is second to none. As producers, I think we deserve credit for growing a high-quality crop, but it's no accident that our efforts are also backed by institutions such as the CWB, the Canadian Grain Commission, the Canadian International Grains Institute, the Western Grains Research Foundation, and the Western Grain Standards Committee. All of them play a vital role in maintaining the value proposition of a western Canadian brand. As the only supplier of a quality product, it is the CWB that gives prairie wheat and barley producers the ability to extract full value from the marketplace for this brand.

The CWB also enhances the competitiveness of prairie agriculture by standing up for producers on key issues. Where it has knowledge and expertise that no one else has—for example, on the transporta-

tion front—we have been instrumental in bringing forward a number of service complaints. We look forward to the results of the service review that Transport Canada is currently conducting.

At the same time, we continue to believe, as do many western Canadian shippers, that there is a pressing need for a full costing review of the rail revenue cap, as producers continue to pay more than they should for the service that rail companies provide.

● (1130)

I would like now to ask Ian to make a few comments about CWB operations. After he has spoken, I will conclude our presentation.

**Mr. Ian White (President and Chief Executive Officer, Canadian Wheat Board):** Thank you, and good morning. My remarks have been given to the committee; however, I will make a few additional comments.

A significant area of the CWB's competitiveness for farmers is the marketing system we operate. With over 80% of the wheat exported overseas, to over 70 countries, not to domestic or U.S.A. customers—the U.S.A. actually accounts for about 5% of the total sales book—the CWB provides the farmers with what is regarded as the best of both worlds. We market the physical grain to what is the best long-term customer base in the world where we can provide market development and regularly gain premiums over other competitors. We then offer farmers a range of pricing options, including pool and/or a range of producer payment options for wheat, and the new *CashPlus* barley contract that allows them to have control over their pricing by using current market values through the year. The CWB is able to brand the grain as Canadian quality and use all of the deliveries to meet customer quality and logistical needs.

With respect to the producer payment options, a lot has been said about the CWB's management of these in 2007-08. This was a year of unprecedented volatility in wheat markets. While this was excellent for grain prices overall, it did play havoc with price risk management for many participants in the grain industry. The CWB was not immune from this.

When farmers use the PPO products to lock in prices with the CWB, we take action to hedge that in the futures markets. While these activities should net to zero over time, there were risks and particular market circumstances during periods of 2007-08 that did not allow that. Once the CWB realized that there were issues, we moved quickly to correct them. We did, however, have a loss to the contingency fund, as reported and documented in our annual report. Basically, the loss was caused by the lack of liquidity in wheat markets and never-seen-before large market inverses between nearby futures markets and further-out markets. The contingency fund is a separate fund set up specifically to absorb the inevitable pluses and minuses from operating such hedging programs.

As CEO, I have reviewed what happened and agree with the changes made. I've also had independent experts review the circumstances of the risk management of 2007-08 and have extensively discussed this with farmers and the government. In the main, the farmers particularly are satisfied with the explanations that have been given. I should add that the management of the PPO products for 2008-09 is going well and we expect the balance of the contingency fund to be around zero by the end of the financial year.

Thank you.

**Mr. Larry Hill:** Thank you, Ian.

The CWB board of directors is made up of both government-appointed directors, such as Ian, and farmer-elected directors like me. All of us were kept fully apprised of the state of the contingency fund and how the producer payment options were being managed. We approved the CWB's audited financial statements. We decided how the contingency fund should be repopulated. We brought in Gibson Capital to review how we fared in 2007-08, and we are satisfied that the improvements we've made will enable us to do better in the future. We're firmly committed to communicating openly on this issue with all of our stakeholders, including producers and the Government of Canada.

We have provided several letters to the minister's office wherein we have explained what happened in 2007-08 and how we've responded to the events. We have also attempted to meet with the minister. We believe meeting the minister is a very important step so that we can get a better understanding of any ongoing concerns the minister or his officials may have.

I would also like to note in closing that we have provided the members of the Standing Committee on Agriculture and Agri-Food with a background document that deals with a number of statements made by witnesses who have preceded us in recent weeks. We hope that in conjunction with our testimony today, this will give the committee a thorough picture of how the CWB enables western Canadian grain producers to better compete in the marketplace.

Thank you. We welcome questions.

•(1135)

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

We'll now move to the Grain Growers of Canada. We have Ms. Monique McTiernan, from the Atlantic Grains Council, and Mr. Richard Phillips.

For ten minutes or less, please begin.

**Mr. Richard Phillips (Executive Director, Grain Growers of Canada):** Mr. Chair, we'll be sharing our time as well.

**Mrs. Monique McTiernan (Executive Director, Atlantic Grains Council, Grain Growers of Canada):** Good morning, members of Parliament, staff, and fellow guests.

My name is Monique McTiernan. I am the executive director of the Atlantic Grains Council, and until recently I was also the chief grain grader of the New Brunswick Grain Commission. I live in Riverview, New Brunswick.

Since its incorporation in 1984, the Atlantic Grains Council has been the only voice representing maritime grain and oilseed producers on regional and national issues. Council members consist of grain and oilseed producers, processors, handlers, traders, input suppliers, shippers, and researchers. The council is also a founding member of the Grain Growers of Canada.

To improve the competitiveness of maritime agriculture, there are a couple of key issues we need to address. These issues were identified and prioritized at our recent Atlantic grain and oilseeds strategy workshop.

**The Chair:** Could we just ask you to slow down a little bit for our translators?

Thank you.

**Mme Monique McTiernan:** These issues were identified and prioritized at our recent Atlantic grain and oilseeds strategy workshop and have been communicated to Minister Ritz and the maritime agriculture ministers.

Number one is agriculture infrastructure. Farmers have not updated their grain storage, drying, or handling facilities in many years because of the low grain prices we have suffered. Upgrading on farms and in commercial facilities will allow producers to profitably condition and store their products so they won't have to sell at harvest time. It will also help farmers to grow and store new crops and to IP for new value-added products, such as, for example, non-GMO soybeans for the premium Japanese market. Solutions to assist us could include infrastructure money, interest-free loans, and accelerated capital cost allowances, as was done for computer purchases in the last federal budget.

Our number two issue is research. Because the Maritimes have traditionally been viewed as a small market, the private sector has not made significant investments in crop varieties suited to our unique needs. Agriculture Canada scientists have therefore played a critical role in the development of agriculture in our region. Key agriculture research stations in the region are located in Fredericton, Kentville, Nappan, and Charlottetown. But since 1995, we have seen the erosion of this research, and we have dropped from 28 research scientists to only five per region. At the moment, there is only one research station and one research scientist doing any cereal and oilseed work in Atlantic Canada.

We are a small region with a very specific maritime climate. Thus, varieties that may do well in the west or even in Quebec and Ontario may not yield the same here because of our short growing season. We import a lot of grain today, but with proper research, we could be more self-sufficient.

Our number three issue is Fusarium head blight. This devastating disease thrives very well in our cool, moist climate and is destroying our small grain industry in the Maritimes. We are currently in our fourth year of a severe epidemic of Fusarium. The Fusarium species affecting us is far more toxic than it is in the rest of Canada.

**The Chair:** The translator is asking if you could slow down just a bit. I'm sorry about that. Don't feel bad about it. I want everybody to be able to hear.

Thanks.

**Mrs. Monique McTiernan:** For the long term, we need a resistant variety, but we all know the length of time required to breed varieties. Pathology work is needed as well as grower education on using agronomic practices to mitigate losses.

The losses will not be limited to grain farmers. Without good-quality feed grain, it will be impossible to have a vibrant red meat or any livestock industry in our region. One example of the lost market, which paid a premium to farmers, is the salmon fishery. We used to sell our wheat in local feed mills, which processed our grain into fish feed, but due to the Fusarium, all the grain is now imported. We have completely lost that market.

We are a small market, and our farmers need to take advantage of every opportunity.

To summarize, the key priorities of the Atlantic grain and oilseed farmers are the following: agriculture infrastructure, both on farm and commercial,

public research on agronomic and yield increases,

and Fusarium head blight resistant and control,

The council appreciates the opportunity to make this presentation on helping us build a stronger Atlantic agriculture industry.

Thank you. I look forward to your questions.

• (1140)

**Mr. Richard Phillips:** Thank you.

I will speak more slowly, because I'm from Saskatchewan, where we're still debating whether the extra hour of daylight with daylight saving time will hurt our crops.

My name is Richard Phillips. I am from Tisdale, Saskatchewan.

[*Translation*]

I'm employed by the Grain Growers of Canada.

[*English*]

On the issue of competitiveness of Canadian grains, oilseeds, and pulse producers in the world, I will reiterate what you've heard from many people today and what you've heard from many speakers before us: that is the need for public research. Clusters are proposed, and they're talking about private partnerships. We see potential in those, but at the end of the day we still see a big need for A-base research, which is your base agronomic research, whether it's for the Maritimes or the Prairies. You will see that in the cereal grains and the pulse crops especially, where there isn't a place for the private sector to put money in and get money out. At the end of the day, the private sector will invest where they can get a return on their money. Because we believe in farm-saved seed, and people will save seeds in their cereal grains, the private sector will not likely ever invest major dollars at this point in time or for the foreseeable future in those grains.

Ag Canada does a tremendous job, and we thank the government. There were some recent announcements for some investments in research facilities, but as we know from the prairie oat growers, the Cereal Research Centre in Winnipeg is nearly a condemned building. So we need more money and more commitment to that public research.

It's not just the cereal grains; it's shattering in canola as well. There are things like pulse-cereal rotations. For those of you who may not be farmers, if you plant a pulse crop and it's inoculated and you grow a cereal grain after it, the nitrogen that's fixed by the pulse crop will help improve the yield. So what is the right combination of those crops? We could actually save money as farmers on fertilizer use, for example, if we could have the right combination of crops in rotation.

There's no role for the private sector in that sort of research. Those will always have to be public dollars. However, we as producers are willing to step up to the plate. We have check-offs on many of our crops. Many of the organizations here, the farmers at this table, are putting money into check-offs. The Canadian Wheat Board works with, say, the Alberta Barley Commission funding research. Farmers are prepared to step up to the plate, but we want to be partners with the government on that base agronomic research that is critical to us.



Briefly, on a couple of other issues, in terms of trade we're strongly in favour of moving ahead on the EU deal. Moving into the North African market, the EFTA market, and Peru, some of the initiatives undertaken are good for those of us who rely on the export markets.

As maybe a small critique of the government, we're more than 13 months into the Growing Forward program and we have only one major program announced so far. We would strongly encourage the government to move ahead quickly, because producers are looking for that. What are the tools and programs we can use to take ourselves to the next level in competitiveness?

Biotechnology based on sound science is critical, going ahead.

I really look forward to the question and answer period where we can talk more about some of the issues around the Canadian Wheat Board. There are a wide range of opinions out there. I would say that a lot of producers believe, though, that at the end of the day producers should have a say in determining their own marketing structures.

In line with that, we actually wrote to the Wheat Board earlier this week. I have a copy of the letter here. We've asked to meet with the Wheat Board, to sit down and talk about these farmer director elections. Every time there is an election, there are disputes, whether it's from people who like the Wheat Board or people who don't like the Wheat Board. There are always disputes over voters lists, who's getting them, where the home quarter is, or if the person is in the right district.

So we'd like to sit down with the Wheat Board. There was an expert panel put together about three years ago that reported back in about late 2005 with 14 recommendations. If the grain growers and the Wheat Board sit down together, I think we'll probably come back to this committee or to Parliament with a series of recommendations to clean this up. Clean elections are in the farmers' interests. It's in the Wheat Board's interest to know that those are valid elections. Together we hope to come up with some solutions.

Thank you very much.

**The Chair:** Thanks very much to all of you for keeping under the time. We appreciate that.

I'll now move to questioning, with seven-minute rounds.

Mr. Easter.

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

Thank you, folks, for coming. We've seen a couple of you before. A couple of your organizations have been here previously.

My first question is to Mr. Bender. What is the membership now of the Western Canadian Wheat Growers? What's the number?

•(1145)

**Mr. Kevin Bender:** I'll refer you to Blair. He's our executive director.

**Mr. Blair Rutter (Executive Director, Western Canadian Wheat Growers Association):** Thank you for the question. This is the same question we got a month and a half ago. Our answer is

still the same. I will say that we have infinitely more voluntary members than the Canadian Wheat Board.

**Hon. Wayne Easter:** So your membership is really less than 1,000? Do I take it that's what it still is? Has it increased since the last time you were here, which was three or four weeks ago?

**Mr. Blair Rutter:** No, it's the same. We do our membership run in January.

**Hon. Wayne Easter:** But you are here for the second time before this committee. I want to point out for the record that at this session today—and I call it as I see it—we are doing a study on competitiveness. One of our reasons for bringing the Canadian Wheat Board before the committee as a witness was to deal with the competitiveness question from a marketing point of view. How do they make producers more competitive?

We've heard remarks from the Western Canadian Wheat Growers Association, representing less than 1,000 farmers. We've also heard from the Grain Growers of Canada, who were always here before. I submit to you both that you're here for a reason—to try to provide some background. The members of the government will attempt to go on a witch hunt against the Canadian Wheat Board at this session today. The government's questions will not be about competitiveness; they will be attempting to attack the Canadian Wheat Board, as they've done a number of times. They just cannot seem to accept on the government side—

**Mr. Steven Blaney (Lévis—Bellechasse, CPC):** I have a point of order, Mr. Chair.

I just listened to the witnesses, and they were comparing prices and the competitiveness patterns. I think the content pertained to the study of this committee.

**The Chair:** That's not a point of order.

Back to you, Mr. Easter.

**Hon. Wayne Easter:** It's nice to have you here, Mr. Blaney. This is the first time we've seen you at the committee in a long time.

**Mr. Steven Blaney:** I'm glad to be here, Mr. Easter.

**Hon. Wayne Easter:** In any event, I'd just put it on the record that I expect this is what we'll see. The government is not fooling anybody when they try to stack the witnesses against a marketing institution.

The oat growers have talked about the issue of research. This is a problem we're seeing across the country, and I want to be clear on it. You have a dilapidated facility in Winnipeg. Research is where it's at, for the future; there's no question about that. It is a competitiveness issue, because other countries are spending money on research.

You said there was no process for replacing retirees. That's what's happening in my area as well, and we are a microclimate in P.E.I. How many are retiring? Do you have any idea of those numbers?

**Mr. William Wilton:** In Winnipeg, at the Cereal Research Centre, we see that a cadre of five of the leading scientists involved in oat, barley, and wheat research are over 60 years old. Retirement is coming. They don't know whether their facility will be standing, almost literally, when they go to work in the morning. I would think that there's a pretty good feeling among them that they should take early retirement or move on if they lack decent facilities and the backing of their employer.

The history in our area has been the same as that in P.E.I.— when people retire, somehow the jobs don't get filled. We've asked the question time and again, are there no people to fill these positions? Where are the young people in these organizations? How can producers help? Can we help with a research chair? Can we help master's students? Can we help PhD students? There has been no uptake on the question, either from Agriculture and Agri-Food Canada or from the universities. So it's a concern to us.

•(1150)

**Hon. Wayne Easter:** I would submit that it shouldn't be up to industry. We need public researchers who aren't just funded by check-offs on the commodities. That's one of the ways that we're becoming less competitive.

I have two more questions. First, with respect to the Canadian Wheat Board in the big global arena, can you explain to the committee the kinds of players that are in the international arena? What do you do to try to maximize returns back to primary producers in this country? We should have a marketing advantage, operating through a single desk.

Next, both the oat growers and the Wheat Board talked about transportation costs. I'm not sure if you were arguing for a costing review, but on this side of the House we believe there needs to be a costing review of the railways. There's no question but that big rail is gouging the farm community, and it has been doing so for about five years.

**Mr. Ian White:** I'll just talk about what the Wheat Board does in the international marketplace and let Mr. Hill talk about the transport issue.

The Wheat Board is selling a large quantity of grain each year, in the order of 18 million to 21 million tonnes of grain each year. As I said, a small portion of that actually goes to the U.S. market, about 5%. The balance is sold domestically to millers and then the vast majority goes to international customers.

The CWB uses a range of marketing techniques to try to extract the greatest premium possible for that grain in the physical marketplace.

I think you have to understand there are two aspects to the price that the farmer gets. One aspect is the actual physical premium that is obtained in the international marketplace and the other is the pricing that is done through either the flat price of that grain when you sell it or by pricing it through the futures markets. A lot of the grain is sold against the futures markets price.

What we try to do is maximize the value of that physical grain in the marketplace. We know that farmers produce excellent-quality grain, and we have a system in Canada that is aided by the Canadian Grain Commission in terms of testing the quality. In the main, we try

to understand what are the qualities produced and we try to match those qualities to what we understand to be the needs of a range of customers around the world.

In doing so, we provide customers with a great insight into that quality. We provide them with technical advice through the Canadian International Grains Institute, to which the pool contributes. We try to make sure we brand that product as a different competitive offering to that sold by others in the marketplace. The others in the marketplace are generally the large international grain companies that everybody particularly knows about. They are dominant in the world global trade of wheat and grains, and so we actually compete with our quantity against their large quantities.

**The Chair:** Thank you.

Mr. Bellavance, for seven minutes.

**Mr. Larry Hill:** Can I reply to the costing question?

**The Chair:** You'll probably get a chance. We are up to nine minutes. That's supposed to include seven minutes. Mr. Easter used up most of it.

[*Translation*]

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

Mr. Hill, since you wanted to add a comment, I'll let you use my speaking time.

[*English*]

**Mr. Larry Hill:** Thank you.

The transportation issue is a very significant one for farmers. It is one of the largest bills they have. Since the current revenue cap was established, many efficiencies have been implemented by the railways. So we commissioned a study by Edsforth. This study shows that these efficiencies haven't been back to producers. It's in the neighbourhood of \$70 million per year that the producers are losing. Every year we wait to do this costing review, that money is taken away for farmers.

So yes, we are asking for a full costing review.

•(1155)

[*Translation*]

**Mr. André Bellavance:** I'm going to continue on this subject because I took some notes.

It seems to me that, in a document you sent the committee, you did a comparative study on the costs associated with rail transport to the United States, to Montana, and to Canada. I don't know whether that study is exhaustive.

I believe I understood it was more expensive in the United States. Isn't that the case?

[English]

**Mr. Larry Hill:** American transportation costs are very different from those in Canada. If you're close to waterways in the U.S., the railways are very competitive. In fact, it can cost more money to ship grain to the Pacific northwest from Montana than it does further east in the eastern states.

A lot of things happen. The indexes fluctuate up and down. But in general, we need to be concerned about what Canadian producers are paying. I know American producers, at every meeting I've been at, have expressed great concern over the transportation cost there.

So American producers see themselves in the same position as we are in, by paying too much.

[Translation]

**Mr. André Bellavance:** I'm continuing on the same subject, because I previously heard a committee member say on behalf of the government that it was the fault of the Canadian Wheat Board that rail costs were so high. That's not the first time the Conservatives have put the Canadian Wheat Board on trial.

I understand that it's the railways themselves that determine their costs, not the Canadian Wheat Board.

[English]

**Mr. Larry Hill:** Yes, that is correct. The railways are responsible for setting their freight rates within the revenue cap.

[Translation]

**Mr. André Bellavance:** I'll be going back to you in a while.

Mr. Phillips, earlier you made a comment that surprised me. I want some clarification on what you said when you talked about the election of the Canadian Wheat Board's board of directors. You said you had written to the Canadian Wheat Board to see how the manner in which those elections are conducted could be reviewed.

Are you challenging the legitimacy of the Canadian Wheat Board's board, or do you think that the people on the board weren't elected by the right growers? I'm asking you the question to get some clarification because you say the system should be reviewed. What makes you say that?

[English]

**Mr. Richard Phillips:** After every election, when the farmers are voting and electing the directors, there are always disputes, from the pro-Wheat Board people who say this wasn't fair or from the anti-Wheat Board people who say this part of it wasn't fair.

An expert panel was put together about three years ago that did a review of this, and it came out with some very good recommendations on how to clean up some of these disputes. Some of it's around who's funding the candidates, some of the reporting mechanisms, who should be eligible to get a ballot to vote. And when we went through this, as the Grain Growers of Canada, we agreed with many of the recommendations.

In our informal discussions with the Wheat Board, there was agreement with quite a few of the recommendations as well. So we said, we'll sit down together to sort this out, and everything we can agree on maybe we can bring forward to the government together.

We can clean up these elections so they are valid and there are no more disputes among all the parties.

[Translation]

**Mr. André Bellavance:** Your comments have nothing to do with the fact that there are eight directors who are in favour of keeping the Canadian Wheat Board as it is right now. That's not what you're questioning.

[English]

**Mr. Richard Phillips:** No, we're not contesting that at all. What we're saying is let's have it clean, so that everybody agrees in advance that these are the rules, and then whoever wins, wins. We're looking for a clean, fair election process, as is the Wheat Board.

Maybe Mr. Hill can comment, but I believe we're on the same page on this issue.

[Translation]

**Mr. André Bellavance:** I'd like to toss the ball to you. Do you think there's a method that should be amended in that regard?

[English]

**Mr. Larry Hill:** The Wheat Board has always looked at the process after an election. We also looked at the panel review that was done and their recommendations, and we agreed with a lot that was in the panel.

We need a process whereby we work with the government and other farm groups to look at this election process and agree well in advance as to what the rules are going to be around elections, so that everyone understands and there are no surprises, no last-minute changes. The Wheat Board would support that kind of thing because we need producers to feel they have elected the directors they want to represent them. And we have agreed to meet with the group.

● (1200)

[Translation]

**Mr. André Bellavance:** Mr. White, you've virtually just arrived at the Canadian Wheat Board.

With regard to the contingency fund, how do you explain to your members what happened and how can you reassure them that the contingency fund will be replenished? Are you on the right track? Does what is happening to the contingency fund trouble you? We hear nightmare scenarios from the government. In your mind, is this something unsolvable? Can you put the contingency fund back on the rails?

[English]

**Mr. Ian White:** You're right that I came to the Wheat Board just over 12 months ago, and most of these issues were already evident. The situation, I think, has been fairly well explained as to what happened in a very extraordinary market circumstance in 2007-08. The Wheat Board has moved to address the issues that were evident then. We have hired an independent risk management consulting firm to look at the situation and actually go to first principles to develop the process and the methodologies. They have come back to say that overwhelmingly the risk management practices that are now in the CWB are appropriate. They did raise further relatively minor areas of operation, which we have addressed or are in the process of addressing.

I think the contingency fund stands alone. Our view has been that it should not get too large on the negative side, particularly in an environment of very difficult financial times like we have been going through in the world. But our aim is to bring the contingency fund over time to around a zero balance, and I think that's entirely possible.

**The Chair:** Thank you.

Mr. Atamanenko, seven minutes.

**Mr. Alex Atamanenko (British Columbia Southern Interior, NDP):** Thank you very much to all of you. I'm just going to ask this question one more time, Mr. Rutter, and then I promise I'll leave you alone.

Your membership is under 1,000. Is that 900, 800, 500, 300? Could you be more precise?

**Mr. Blair Rutter:** We believe we are the largest non-check-off voluntary organization in western Canada. We currently have about 600 members, but it fluctuates from year to year.

**Mr. Alex Atamanenko:** Thank you very much. I appreciate that.

I just want to also thank you, Ian and Larry, for the very thorough analysis you've given us. I hope that all members here will read it, partially just to look at what you're saying. I really appreciate some of the clarification in it.

Larry, you mentioned—and we also talked about it—this costing review. It's my understanding that the federal government is announcing a service review of the rail freight and that this will take a long time because it involves other things, not just the costing review. It is my understanding that the CWB, the Canadian Federation of Agriculture, the National Farmers Union, Keystone Agricultural Producers, the Agricultural Producers Association of Saskatchewan, and Wild Rose Agricultural Producers are publicly calling for this costing review.

My question is to the wheat growers. Your organization isn't added to this list. Could you explain why, please?

**Mr. Blair Rutter:** Yes, we have supported the call for a costing review as well, but in conjunction with the service review, because in our view, price and service go hand in hand. You shouldn't look at one issue in isolation from the other.

So yes, we do support a costing review of some sort.

● (1205)

**Mr. Alex Atamanenko:** It's my understanding, Blair, that the reason the costing review has been requested is that it's going to take a long time to do this service review. Your organization supports the other organizations in zeroing in and doing this costing review as the service review continues, am I right?

**Mr. Blair Rutter:** Yes. The railways have had a number of productivity gains over the years, they've made a number of efficiencies, so it's always good to make an assessment as to whether the compensation being paid to the railways is appropriate or not—whether it's too much or too little right now. You always want to make sure that the compensation ensures there's sufficient money for reinvestment. We haven't had that benchmark exercise done since 1992, so 17—or however many—years later, it seems appropriate to again have that assessment to make sure that the compensation to the railways is indeed fair and reasonable.

**Mr. Alex Atamanenko:** Yet apparently there is resistance to the idea of a costing review on the part of the government. That's my understanding. Is that your understanding?

Would anybody else like to...?

**Mr. Brian Storseth (Westlock—St. Paul, CPC):** I have a point of order, Chair. I hate doing this, because usually Mr. Atamanenko doesn't follow Mr. Easter's suit in playing fast and loose with the facts.

The fact of the matter is that this government.... I was part of the consultation process in which we went out to all the shippers that Mr. Atamanenko has already identified as asking for a costing review. A prioritized level of service review under the shippers' bill of rights was one of the key points that they wanted first, and a costing review has come afterwards. You're not getting resistance from either side. I think it's essential that the facts be put out there.

**Mr. Alex Atamanenko:** I'm glad everybody's on board. Thanks, Brian, for that clarification.

Ian, I'd like you to give an assessment. You've come to the Canadian Wheat Board and you've been here a year. You've had lots of experience on the open market and with other markets, you're a professional, and you've come and assessed the situation. I'd like to get your assessment of how the Wheat Board has been able to help farmers. It it hasn't, I'd like your opinion.

We've talked a lot about value-added and the criticism that the Wheat Board gets, and that seems to be addressed in this memo. Can you see a voluntary Wheat Board functioning in today's global market?

**Mr. Ian White:** A voluntary Wheat Board is a deregulated market, so you have to look at what that model might look like. The Wheat Board as we know it today would certainly not easily exist in that deregulated environment.

You can look at the model now being developed in Australia after the deregulation that occurred there in July of last year. I think we need to look back at this over a number of years and see how it played out. In the first year, so far it seems to have been a fairly rocky road for the deregulation that has occurred there, but as I said, I think it needs to be viewed over a number of years.

The Australian Wheat Board, as an example, has a significantly reduced role today and is an organization significantly different from what it was when it was a single-desk operator. It basically just becomes another trader. The ability to extract value out of the marketplace that we see in the sales program from our single-desk operator is arguably diminished in that environment.

**Mr. Alex Atamanenko:** In other words, if I understand correctly, having a strong Wheat Board that can compete with the big players enables us to get a better deal for farmers. Am I reading it correctly?

**Mr. Ian White:** That's the theory. I think I said to the committee previously that there's no question that the Canadian Wheat Board needs to be able to demonstrate that value. We are in the process of looking at how we make sure we have transparency associated with our operations and the right benchmarks to judge us by, and therefore put the information out, good or bad.

**Mr. Alex Atamanenko:** Do you see a threat to your ability to function coming from the WTO negotiations?

• (1210)

**Mr. Ian White:** As the current text at the WTO reads, there will certainly be a phasing out of what they call the state trading enterprises, the STEs. I know this hasn't been an agreed text, but as the text that's being currently put forward reads, there would be a phasing out of STEs. The largest company affected would be the Canadian Wheat Board. There has been a carve-out proposed for a small single-desk operation in New Zealand because it is largely small.

So yes, it would affect the Wheat Board as it currently reads. I think we agree with the Canadian government that this sort of issue should be decided by farmers back in the home country.

**The Chair:** Thank you very much.

We'll now move to Mr. Anderson for seven minutes.

**Mr. David Anderson (Cypress Hills—Grasslands, CPC):** The Wheat Board folks referred to a review by Gibson Capital. I suppose that to do your review, you've gone back as usual to someone who has a long history of working with the Canadian Wheat Board and supporting it. Can you make that review available to the committee?

**Mr. Ian White:** We have made that review available to government—

**Mr. David Anderson:** I'm asking, will you deliver it to the committee, please?

**Mr. Ian White:** I think we can deliver you substantial parts of that report. It is a report—

**Mr. David Anderson:** So there are parts of the review that you're going to keep from the farmers. Is that correct?

**Mr. Ian White:** Well, it's a report that is substantially about very commercially sensitive areas. The only concern we have is associated with—

**Mr. David Anderson:** Yes, the commercially sensitive areas are that you lost \$300 million last year of farmers' money, and now you're trying to hide this report that explains what happened there, I think.

**Mr. Ian White:** Could I correct you on that?

**Mr. David Anderson:** Well, I'll go through this.

On your risk management system last year, you managed to lose \$89.5 million from your producer payment options. That wasn't all. It was worse than that, actually. The management-related loss that occurred last year was \$226 million more in discretionary trading activities. You lost over \$300 million last year, and you lost \$40 million out of the contingency fund the year before, and now you're telling me that your own report by someone you hired—who supports and who has worked with the Wheat Board in the past—is one that farmers are not going to be able to see?

**Mr. Ian White:** Could I just explain a couple of aspects of that?

**Mr. David Anderson:** I wish you would, yes.

**Mr. Ian White:** The first aspect is that we looked at the Gibson Capital company. It is true that Mr. Gibson did work for the Wheat Board back in the early nineties. He has been a consultant now for a long period of time and has extremely good credentials associated with risk management across a number of industries. We did not feel that was any conflict at all.

And from my own point of view—

**Mr. David Anderson:** Can I just mention that some of the other folks who do work with him—

**Hon. Wayne Easter:** On a point of order, Mr. Chair, could Mr. Anderson allow the witness to answer the question? Does he want the information, or is he just on a rant against the Wheat Board? I said earlier that it would be a witch hunt, and we're seeing that it's a witch hunt.

**Mr. David Anderson:** Mr. Chair, I have seven minutes here, and I don't have time to....

Again, it looks like Mr. Easter is working to cover something up here, because western Canadian farmers need to know what happened with that \$340 million, and we're being told right now that the Wheat Board's not willing to release that.

I want to point out that it's not just Mr. Gibson who worked for the Canadian Wheat Board. His research director was employed by the Canadian Wheat Board—

**Hon. Wayne Easter:** Mr. Chair, on a point of order, are you going to allow the witness to answer the question, or is your bias going to show through today again?

And I'm serious, Mr. Chair.

**The Chair:** That is not a point of order. Nobody tells you—

**Hon. Wayne Easter:** Well, let the witness answer the question.

**The Chair:** —including me, how to spend your seven minutes.

**Hon. Wayne Easter:** Let the witness answer the question.

**The Chair:** You're out of order, Mr. Easter, for the last time.

**Hon. Wayne Easter:** And you're biased.

**Mr. David Anderson:** Well, Mr. Easter, you don't have to protect the Wheat Board, I don't think. What we want here is simply for them to release a report that deals with their losses. I don't know why you would hide that from farmers.

**Hon. Wayne Easter:** Let him answer. Let him answer.

**Mr. David Anderson:** I haven't asked the question yet, but the report has been done by former CWB insiders. So I think farmers need to see this report. I'm very concerned, actually, that this is being hidden from them.

This actually reminds me of the voters list and a lot of the irregularities there as well, and the fact that it should be made public. It has been very difficult for farmers even to access that list. We find out now that in the past election there were 84,000 permit book holders, 29,000 of whom did not even deliver grain last year, and yet those folks were voting. They were allowed to vote during that election. Another 12,700 didn't deliver one truckload of grain in western Canada last year. At least half of the producers or permit book holders who can be considered active producers, the 12,000 permit book holders who deliver 66% of the grain in western Canada, really have no say at all, when you take a look at the way this election list has been put together.

So Mr. Bender, and Mr. Rutter, are you satisfied with the explanation that's come out? We are told in the Wheat Board's report on the losses that "It appears that producers...are satisfied with the information with which they've been provided." But for the most part, they haven't received any.

Do you concur with that statement that producers are satisfied with the information they've received about that \$350 million loss?

• (1215)

**Mr. Kevin Bender:** Thank you, Mr. Anderson, for the question.

The short answer is no. We alluded to that in my presentation, that we want a full review by the Auditor General, with her having the power to acquire the necessary information she needs to do a full review of their trading and other losses over the past year.

**Mr. David Anderson:** Okay, I have another question, then.

Are you satisfied with the way the voting list has been set up over the last several elections, and the situation we've had to deal with there?

**Mr. Kevin Bender:** Again, in my presentation, we alluded to that, saying that we needed to clean that up a bit and build on what Mr. Phillips said. We would prefer that stakeholders are represented, that those who produce more grain have the greater say in the vote, just like in any corporation.

**Mr. David Anderson:** So you like tonnage limits, actual producer criteria in that? I'm asking the Wheat Board, would they support that

as well? Do you support a tonnage limit and actual producer criteria on the voters list in order to clean up that list?

**Mr. Larry Hill:** Yes, we have. If you didn't get a ballot last year, you didn't make any deliveries. That's how the election was set up. Anyone with an interest could apply and get a ballot whether you grew more grains or not. Anyone with an interest in the major grains could apply for a ballot.

But certainly we are going to look at this. We supported the minimum tonnage that was in the panel review in 2005.

**Mr. David Anderson:** I'd like to talk a little bit about prices, because we had some information about that earlier. After last year the Wheat Board talked about the \$7 that all U.S. producers took for their durum, which everyone knows wasn't accurate. We actually had one of their directors on Agri-ville, I think, bragging about the fact that the Wheat Board was selling durum for \$21 a bushel, and we ended up with \$12.

DTN shows consistently over the last three years that the Wheat Board has been below the prices in the United States. Last year it showed the final price on No. 1 red spring was \$1.70 per bushel below the United States average market.

So I'm asking the wheat grower folks this. Are you satisfied with the returns? This is directly affecting the competitiveness of western Canadian farmers. Does this system need to be changed to make western Canadian farmers more competitive?

**Mr. Kevin Bender:** I'll allow Blair to answer this one.

**Mr. Blair Rutter:** Some farmers are, no doubt, very happy with the marketing service provided by the board, and pooling and the services they provide; for some farmers those are perfectly fine. The durum price ranged from \$6 per bushel up to \$22 per bushel, and yes, the Wheat Board came out with an average of \$12 per bushel. For some farmers, that's a very good return. Others would have liked an opportunity to capture a higher return.

It is a question about preferences of farmers. Some find that pooling is perfectly acceptable, but as we've seen, for five of the last six years the Wheat Board return has not been greater than the open market and even the durum return of \$12 per bushel is below the average price that was available throughout the year.

**Mr. David Anderson:** Can I interrupt you there as well?

**The Chair:** Just a point. You're at the end of your time.

**Mr. David Anderson:** Just a point.

The organic buyers last year were able to buy back their grain for 9¢. This year that has been made 21¢ a bushel. The Wheat Board markets organic grain as well as regular grain. Why can't regular producers have the same options you've given to the organic producers?

**Mr. Ian White:** The judgment, from the Wheat Board's perspective, is that the organic market is an extremely small market. There are very significant premiums to be gained by organic producers, which are quite variable, and the Wheat Board itself actually markets a very small quantity of organic grain.

•(1220)

**The Chair:** Thank you very much.

Mr. Eyking for five minutes.

**Hon. Mark Eyking:** Thank you, Mr. Chair.

The reality is that sometimes we don't appreciate something until it's gone. As a vegetable grower, I sold by myself and I sold within a board. I know the difference between being alone and being with a board and the advantages of selling in a cooperative.

Recently I was on the trade committee, and we toured many Arab countries, China, and many other Asian countries, and often we heard the Wheat Board being mentioned. I would ask these people why they buy from the Wheat Board, and they would say it's because of its constant quality, it's easy to deal with as far as purchase agreements go, even transportation issues, and so forth.

You mentioned, Mr. White, how we have to compete with the big boys out there in the world. I know how hard it is for an individual grower to be out there selling on his own. Can you expand a little more on that? When you're selling to places...for instance, I saw our wheat in Yemen and the Canadian Wheat Board bag there and they really like our product, or you're in China. Can you give us a little more detail on when you're selling to those markets? A grower will try to sell in those markets.

I'd like to leave the minute left in my questioning to Monique, so perhaps you can do it in two minutes.

**Mr. Ian White:** Generally, the arrangement is that you are selling against large competitors that have origins other than Canada. They are generally large trading companies, and growers from those countries are not selling to those markets. That is accumulated by large trading houses in, say, Australia at the moment and sold into those markets.

You are also dealing with large customers. Generally the customers have significant market power. They can buy from anybody they like. You have to offer those customers a range of services, such as constant quality, consistency, shipping timing to the day, etc., to give you an advantage and to brand your offering over what someone else can do. That's what we try to do in terms of the marketing effort we have.

**Hon. Mark Eyking:** There was one more thing that I found they were saying. It was the consistent quality. There's consistent quality because it goes through a very stringent process. You must go through the Grain Commission. We always had that consistent quality when it went to these countries.

**Mr. Ian White:** We draw from the large pool of grain, and we try to understand all the qualities that are evident there, even within classes. We make sure that we service customers with the quality we get. Mind you, that's another area that we should be able to get a premium associated with.

**Hon. Mark Eyking:** Monique, Atlantic Canada is a hard place to grow grain. I'm from Cape Breton, Nova Scotia. We have a lot of disadvantages, but you mentioned a niche market that we could be filling in Atlantic Canada. How can government help to go after those niche markets, whether in marketing or in getting new varieties to suit those niche markets?

**Mrs. Monique McTiernan:** Actually, the varieties would help. Because we're so isolated, we get a chance to grow the seed part, the canola part. We can grow the seed, or the flax seed, because we're so isolated that it doesn't get contaminated. But we don't have the infrastructure. For example, we've established a flax market in our area. We've realized we can grow flax, and we have a small niche market established, but we don't have the infrastructure to keep the crop. We don't have the aeration. So that would probably be one of the areas that could be looked at.

**Hon. Mark Eyking:** Would you say there should be more cooperation between ACOA and Agriculture Canada to help you with that infrastructure and research?

**Mrs. Monique McTiernan:** Yes, the best part would be the variety. It has to fit our climate and our very maritime market.

**Hon. Mark Eyking:** What markets do you think we could be going after? Would it be Europe, Asia?

**Mrs. Monique McTiernan:** We're not even self-sufficient, as you know very well. We can't even fill our own markets. We have our own market right there, but on the island, they actually have the soybeans going to Japan, through Robert MacDonald. So there are possibilities. But we're not even self-sufficient.

**The Chair:** Mr. Storseth.

**Mr. Brian Storseth:** Maybe Ms. McTiernan could talk to Mr. Fowler about some of the varieties of wheat that he testified about at the last committee meeting. We're not even allowed to produce these varieties in western Canada, but they're producing them in Montana to increase yield amounts.

I'd like to talk to the Wheat Board a bit about the Gibson report that Mr. Anderson brought up. You mentioned that Mr. Gibson had indeed worked for the Wheat Board in the early nineties and you didn't think there was a conflict. He was in charge of, or worked with, policy risk management. Is that correct?

•(1225)

**Mr. Ian White:** That's right.

**Mr. Brian Storseth:** Ms. Kastrawas also part of this report. She worked for the Wheat Board as well?

**Mr. Ian White:** Yes, I believe so.

**Mr. Brian Storseth:** How long ago?

**Mr. Ian White:** I don't know.

**Mr. Brian Storseth:** Mr. Sauder was also part of this report and he also worked for the Wheat Board? All right.

I think it's important to bring it up, because we have Mr. Easter ranting and raving at our subcommittee about bureaucrats who work for Canada Post conducting the inquiry on food safety. Yet he seems to have no problem with the Wheat Board looking into the Wheat Board on its own report.

**Hon. Wayne Easter:** Twenty-two people died.

**Mr. Brian Storseth:** That's not a political point, Mr. Easter. That is a sad thing for Canadians across this country, and I would appreciate it if you thought that as well.

Mr. White, would you be willing to share this full report with the committee?

**Mr. Ian White:** That's a matter for the board of the Canadian Wheat Board.

**Mr. Brian Storseth:** Would you bring that back to the board of the Canadian Wheat Board for us?

**Mr. Ian White:** Yes, I certainly could.

**Mr. Brian Storseth:** Failing that, would you or Mr. Hill be in favour of having the Auditor General do her own investigation?

**Mr. Larry Hill:** We would welcome the Auditor General to review the report and our risk management. We said that right from the start. I'd like to make one thing clear about sharing this with producers: 10 of the people on the board of directors are producers, so all of our board of directors have reviewed this report.

**Mr. Brian Storseth:** I'm familiar with that, and I appreciate it.

**Mr. Larry Hill:** We have the support of our board of directors on this report. What we want to do is meet with the minister and make sure there are issues that need to be delved into by the Auditor General. This will be an expensive process and we need to recognize that.

**Mr. Brian Storseth:** Thanks for that, Mr. Hill.

On the 2007-08 crop year, I didn't hear you deny the amount that Mr. Anderson claimed for losses. Was he accurate with the amount of losses that were—

**Mr. Ian White:** May I answer that?

**Mr. Brian Storseth:** Yes, I'm asking you. But do so quickly, please.

**Mr. Ian White:** It is true that \$89 million was lost, associated with the producer payment options and the hedging of them, and that went to the contingency fund. That's a fund that is plus and minus and absorbs those losses.

**Mr. Brian Storseth:** Mr. White, while we're talking about the previous year's contingency fund, how much were the losses?

**Mr. Ian White:** They were \$39 million.

**Mr. Brian Storseth:** And I see—

**Mr. Ian White:** Can I talk about—

**Mr. Brian Storseth:** I apologize for being short. I'm not trying to be, but I only have five minutes.

I see that you say the risk management activity should be net zero over the long term.

**Mr. Ian White:** Yes.

**Mr. Brian Storseth:** You also say that this takes you into a deficit position in the contingency fund since 2000. That's eight and going on nine years.

**Mr. Ian White:** No, I didn't say that.

**Mr. Brian Storseth:** Well, it says right here, "thus taking CWB into a deficit position".

**Mr. Ian White:** Okay. I understand what you're saying. Yes.

**Mr. Brian Storseth:** So over the last eight years you're in a deficit position. When can the farmers expect to be in a surplus position?

**Mr. Ian White:** I would suggest that the farmers could probably be in a surplus position over the course of the next couple of years.

**Mr. Brian Storseth:** Are you willing to state to the committee that they will be in a surplus position by 2011?

**Mr. Ian White:** No, because there are risks associated with operating all of these programs, and it is always difficult to determine. It's one of those things that I believe will be the case, but I can't state categorically that it is, because it's a future event.

**Mr. Brian Storseth:** There are some farmers who are saying that they're being penalized and that you're using other ways to replenish the fund itself. Is this true?

**Mr. Ian White:** It is true that in this year the board of the CWB took the step of taking some revenues that were not directly related to sales and putting those in part to replenishing the contingency fund.

**Mr. Brian Storseth:** I guess my question then would be, without penalizing farmers and using their revenues, when are you net sum zero? That's not net sum zero; that's taking extra in off the side. When are you going to be net sum zero without penalizing the farmers?

**Mr. Ian White:** That's my answer: in the next couple of years.

**Mr. Brian Storseth:** The next couple of years?

**Mr. Ian White:** Could I answer the question, please, about the \$226 million?

● (1230)

**Mr. Brian Storseth:** I have one more question and then I'll give it to you guys, and Mr. Valeriote can ask. I don't mean to be short, Mr. White.

I would like to ask my last question, Mr. Chair, of the Prairie Oat Growers Association.

Would you consider that oats have been a success since they came out of the monopoly? Would you consider that change to be a success, sir?

**Mr. William Wilton:** Oats have been a tremendous success, but there are a number of factors that went along with oats being removed from the Canadian Wheat Board.



Going backwards, in 1988 there was a total drought in the oat-growing region in the United States. It forced the American millers to look elsewhere for oats. They came to Canada and they went to Europe; they went to Scandinavia. We're still living with that legacy.

The marketing of oats was removed from the responsibility of the Canadian Wheat Board. But shortly after that, for transportation rate concerns, transportation policy was changed to allow oats to be shipped directly from the gathering point on the prairies to the mills, rather than having to go through Thunder Bay.

One of the biggest issues with the success of oats in Canada has been the American Farm Bill program, which threw all the support in that program behind wheat, soybeans, and corn. Basically the American farmers, because of that farm policy, abandoned oat production.

If you eat oats as a human in North America, there's a 95% chance that they were grown within 100 miles either side of a line between Emerson, Manitoba, and Saskatoon, Saskatchewan. We are the suppliers of human consumption oats to North America.

**The Chair:** Thank you. Your time has expired.

We go to Madame Bonsant for five minutes.

[Translation]

**Ms. France Bonsant (Compton—Stanstead, BQ):** I like it when we talk about disputes over the loss of \$300 million. In employment insurance, \$54 billion has disappeared. So when we talk about \$300 million that farmers have been deprived of, that troubles me, but you're not fighting for the lost money, because we know where it's going.

Mr. Storseth asked a question earlier which you didn't have a chance to answer. I'd like you to take the time to answer it because I know you have a message to send.

So, Mr. White, answer the question about the alleged disappearance of the \$89 million that you wanted to answer earlier.

[English]

**Mr. Ian White:** The question I was wanting to answer was associated with the view that the CWB had lost \$300-odd million. There's no question that the \$89 million was an actual loss. The \$220-odd million that is referred to, which we disclosed in our annual report, is actually an opportunity loss only.

The CWB sets a pricing pace benchmark each year, which is our own pricing pace. There are many ways of managing a pool and pricing it. What we have said is that we would have made more money if we had followed that pricing pace rather than a pricing ahead of the market, when there was a very large increase in the market early in the 2007 season.

[Translation]

**Ms. France Bonsant:** I'm trying to understand the role of the Canadian Wheat Board. You negotiate wheat, barley, and so on, at the world level or just in Canada?

[English]

**Mr. Ian White:** Wheat and malting barley at both domestic and international levels.

[Translation]

**Ms. France Bonsant:** That means that, if people want the Canadian Wheat Board to disappear, they'll have to negotiate in the global market on their own.

So farmers will have to pay for transportation and a lawyer to read the contract to ensure they aren't swindled in one way or another. They'll also have to travel to other countries to go and see with whom they can negotiate.

Is that what people in the west want?

[English]

**Mr. Ian White:** I don't know what the plan is. What would typically happen is that you would find a number of international trading companies become the buyers from the farmers and they would export it through to the international marketplace.

[Translation]

**Ms. France Bonsant:** It would be the Walmart of wheat—pardon my comparison. In other words, these companies would knock on your door and negotiate directly with farmers for access to the local market, but at their prices. That would mean that those international trading companies would go and negotiate directly with the farmer, the grower of that grain. Should that farmer wind up in a precarious situation, those international companies could fiddle with the world price, the bushel price. They could push it up or down because an international company carries weight.

[English]

**Mr. Ian White:** That's probably one way of thinking about it. The farmer in that environment would always have the opportunity not to sell and to try to find a better market. That's certainly inherent in a deregulated environment.

● (1235)

[Translation]

**Ms. France Bonsant:** Mr. Phillips, you said earlier that you had tried to organize the vote, etc. There were 14 recommendations. Are those 14 recommendations public, and would it be possible to send them to us?

[English]

**Mr. Richard Phillips:** It was an expert panel composed of one farmer from Alberta, one from Saskatchewan, and one from Manitoba. They went out and held hearings across the Prairies and they received letters and input. Out of that, they met and worked out these panels. We'd be happy to share that with the entire committee.

[Translation]

**Ms. France Bonsant:** Mr. Hill, I know that you're a farmer by training, and so on. Do you think it is more important for farmers to be members of a panel or a board rather than just representatives of a government?

Personally, if I wanted to sit on the Canadian Wheat Board, it would be difficult because I know nothing about it. So where is a government's expertise relative to that of wheat and barley producers?

[English]

**Mr. Larry Hill:** Certainly I think it's very important that producers are on the board of directors, because for the Wheat Board to be successful, producers have to see they own it. It's important they feel their voices are being heard at the table.

When it comes to experts, you don't get elected farmers who have the kind of expertise in the financial areas that we require. A recent board member who has been appointed, Mr. David Carefoot, has that kind of expertise.

**The Vice-Chair (Hon. Mark Eyking):** Your time is up, Ms. Bonsant.

Mr. Richards, you have five minutes.

**Mr. Blake Richards:** Thank you.

I thank all the witnesses for being here today.

Mr. Hill from the Canadian Wheat Board recently wrote a letter to the editor of the newspapers in my riding, or at least one was written under his name. It was in response to a March 27 press release that I put out calling for a dual marketing system for western Canadian wheat and barley producers. Based on that letter, there is one thing we can certainly agree on, and that is that our farmers are among the country's most innovative and industrious businessmen. Unfortunately, that's about where our agreement ends, and that is because I'm standing up for western Canadian farmers who are being severely hamstrung by the Canadian Wheat Board's monopoly.

Let me put it on record once again: this Conservative government will continue to stand up for our farmers. What our grain growers are telling me, through the farmers in my riding—through their calls, letters, and visits with me—and through the testimony we've heard from many producers here at the agriculture committee, is that the biggest obstacle to their competitiveness is the Wheat Board monopoly and their inability to get the best price for their crops as a result, and also their inability to gain profit through value-added processing.

We heard an example here today from Mr. Bender from the Western Canadian Wheat Growers Association. He stated today that year after year, returns through the Canadian Wheat Board are lower than those wheat growers would receive on the open market. We heard on March 24 from Rick Strankman, a director with the Western Barley Growers Association. He said the Wheat Board is not working for us. He went on to give us an example of a situation that he was dealing with directly, in which he was finding the Wheat Board getting in his way. He's saying he's being hamstrung by the Wheat Board in his ability to get the best price for his products.

We also saw recently a study from the C.D. Howe Institute that they released last November in which they indicated that over the previous three years the Canadian Wheat Board had been paying farmers up to \$40 a tonne less than what comparable American farmers were being paid by private grain companies. That amounts to about \$18,000 a year less per farmer than American grain companies would have paid for the same crops. That's \$18,000 a year less per farmer that the Wheat Board was giving than they could have received otherwise.

It's clear to me that the Wheat Board is a severe hindrance to the competitiveness of our western Canadian farmers. What they're telling me is that it is probably the biggest hindrance to their getting the best price for their products, to be able to value-add and to get the best for their products.

My first question is to both the Western Canadian Wheat Growers and the Grain Growers of Canada. Would you agree that the Canadian Wheat Board monopoly is the biggest obstacle you face to your competitiveness?

I'll ask the other question too at the same time. I'll allow you guys to go first, but if there's time after that, I would like to demand an answer from the Wheat Board on behalf of farmers in my riding who are telling me that the biggest barrier they face is the Wheat Board monopoly and that they want a dual marketing system, so as to be able to get the best price for their products if that's what they choose to do.

I demand an answer from the Wheat Board on that specific point. I don't hear any farmers from east of the Manitoba border clamouring and calling to be let into the Wheat Board; yet I hear all kinds of farmers in the west asking for the opportunity to market their products the way they see fit, whether it be through the Wheat Board or through their own direct marketing.

● (1240)

**The Vice-Chair (Hon. Mark Eyking):** Just to help you out, you've used up four minutes. You only have a minute left and you probably only have time for one answer.

**Mr. Blake Richards:** Okay. Well, let me ask the folks from the Western Canadian Wheat Growers Association whether that is in fact the biggest barrier to their competitiveness.

If there is time, I'd like to have the Wheat Board answer the question I've asked them as well.

**The Vice-Chair (Hon. Mark Eyking):** There's only one minute left, just so you know.

**Mr. Kevin Bender:** Thank you, Mr. Richards.

I would say it's one of the biggest. It probably is the biggest obstacle we face in terms of competitiveness, not just on our part as farmers, but even, as you mention, as a value-added industry. I think in an open market we would see a lot more malt, pasta, and flour development in Canada. That would spill over, back to us again. I think it would benefit the entire economy and not just farmers.

**Mr. Blake Richards:** And so, speaking to the Wheat Board, you've just heard those comments. You've heard the other comments that I've given examples of, and those are just a few examples of many. Tell me how you can justify, especially when you don't hear eastern farmers clamouring to get in...? How can we not allow this choice to our farmers?

**The Vice-Chair (Hon. Mark Eyking):** Mr. Richards, the time is up. Maybe there's another round. There is going to be another Conservative to ask questions. We have to go back to the Liberals.

Mr. Valeriote.

**Mr. Francis Valeriote:** Mr. White, you indicated you were planning a meeting with the Minister of Agriculture and Agri-Food. Has that meeting been scheduled? Have you already met with him? Can you give some clarity on that?

**Mr. Ian White:** There have been attempts to meet. I think there have been some scheduling issues in recent times. We are now looking for a further time to meet, but we haven't had one at this stage.

**Mr. Francis Valeriote:** At all?

**Mr. Ian White:** No.

**Mr. Francis Valeriote:** Okay. Would you advise us as to when you are able to set up a meeting with the minister?

**Mr. Ian White:** Certainly.

**Mr. Francis Valeriote:** All right.

I am curious now. Mr. Anderson had asked you a number of questions about the contingency fund, but I don't think he allowed you the opportunity to respond. Would you like that opportunity now to explain?

**Mr. Ian White:** I think I've explained it fairly well so far. There is no question that there were some issues associated with that particular market circumstance and they were addressed.

On the question of Gibson Capital, we took an honest view that we needed to find an expert firm in this field. Irrespective of the prior employment of some of these people, we felt that this was far enough away and that the work they had done in other fields in risk management gave them a great body of work and credentials.

Personally, I have to say I saw no bias associated with this at all. It was very independent in terms of what they did.

**Mr. Francis Valeriote:** At the risk of being challenged, I don't think you need to learn any lessons about transparency or bias from the fellows across the desk from here.

I would like to ask you this. How many farmers are a part of the Wheat Board? Do you know?

**Mr. Ian White:** It's in permit book holders, and this is probably one of the points of contention. It's in the order of around 55,000 to 60,000 farmers.

•(1245)

**Mr. Francis Valeriote:** Right, and I understand that Mr. Rutter and Mr. Bender's organization represents 600. So it is a very, very small percentage. Would that be accurate?

**Mr. Ian White:** With respect, I think it is a different question. Permit book holders for the Wheat Board are compelled to supply their wheat and barley to the Wheat Board, so it is not a voluntary choice by them. But there are a large number of those.

I have to say that in terms of the survey results that the Wheat Board does regularly, which we will provide to the government and to the committee, as we did last year, the current results, which we don't have, which our board hasn't seen yet, show the following. As Mr. Hill said, on the question of whether the farmers support the Wheat Board, in a fairly extensive survey 70% of farmers are saying they do.

**Mr. Francis Valeriote:** Okay.

Can you answer this? I have to admit I'm puzzled. Mr. Bender feels that if he is allowed to be outside the Wheat Board and compete on his own, he's likely to get a better price. That's the bottom line. I am wondering what the strategies are that Mr. Bender has available to him to get a better price. If that's true, what are the strategies available to him to get a better price? Does he have better access to markets? Does he have better negotiating skills? What is it that would cause him to say that?

**Mr. Ian White:** Maybe you should ask him.

**Mr. Francis Valeriote:** No, I'm asking you.

**Mr. Ian White:** I think the issue is that in a deregulated environment certain farmers who are close to domestic markets or who have particular qualities of grain may be able to get a better premium or a better price than the collective.

The system that we have in western Canada of a single-desk system is one where all of the grain is sold together, and we hope to attract overall value associated with that. The criticism of this is that people can't price their own grain. What the Wheat Board attempts to do is allow farmers to price their grain basically emulating the futures markets. But I think you have to recognize that that isn't the same as their going and trying to make a deal themselves. By making a deal themselves, of course, there would be all those other farmers trying to make the same sort of deal.

**Mr. Francis Valeriote:** I have just one small question, and that is of Richard Phillips.

Richard, you were talking about research. Other than pouring more money into research, is there a particular model you have in mind, and has there been a reduction in research funds that have been offered and given by the government, or an increase? Do you know the trend?

**The Vice-Chair (Hon. Mark Eyking):** It has to be very short.

**Mr. Richard Phillips:** We're talking primarily about the A-base, the core research dollars, and it's our understanding that it's been frozen for a number of years, going back even maybe to the previous government. Simply inflation alone means a reduction of them. That's why you see a drop from 28 down to 5. Part of that is simply that there's no new money going in there. That's what we're talking about.

Since we're out of time, maybe we could put something to this committee on what we'd like to see for a model.

**Mr. Francis Valeriote:** That would be great.

**Mr. Richard Phillips:** I'm sorry, Mr. Wilton, could I have a copy of your presentation today? Thank you.

**Mr. William Wilton:** Yes, sir. By all means.

**The Vice-Chair (Hon. Mark Eyking):** Thank you very much.

It's time to bring it back to the Conservatives now and Mr. Dreeshen.

**Mr. Earl Dreeshen (Red Deer, CPC):** Thank you very much.

I am a grain producer and I deliver grain through the Canadian Wheat Board. I see no great clamour from producers outside of the Prairies to join up with the Canadian Wheat Board. I just wanted to put that into context so you recognize that.

I would like to talk about the Auditor General and the potential for her to discuss some of the areas and look into some of the things that are happening.

Mr. Chair, could I have you remind me when I have about 30 seconds left?

**The Vice-Chair (Hon. Mark Eyking):** Yes.

**Mr. Earl Dreeshen:** Thank you.

The Auditor General needs to conduct a full investigation to examine and explain how the Canadian Wheat Board lost farmers over \$300 million last year. I believe that is significant.

Canadian Wheat Board reallocated the \$25.5 million from its pool accounts to the contingency fund. How is the contingency fund used to mitigate risk? Could you perhaps answer that question, if you would, right off the bat?

**Mr. Ian White:** The contingency fund is a fund that's set up to absorb the pluses and minuses associated with a range of things, but primarily associated with the risk management of producer payment options. This fund has been in positive territory. It reached its cap some years ago in positive territory, and it's now in negative territory. We do hope always that the fluctuations will be minor, but in this very significant market circumstance that I explained, that's the reason for the negative associated with this finance year we're talking about.

• (1250)

**Mr. Earl Dreeshen:** There have been some unsuccessful attempts in designing the proper PPO programs in the past—for example, the daily price contract program. I'm just wondering whether it would not be in the best interest of farmers to allow the Auditor General to

do a program review of all the PPO programs that have taken place over the last three years.

**Mr. Ian White:** The Canadian Wheat Board always looks to have programs that are useful for farmers. We recognize that in some cases programs are difficult to manage or are ones that farmers don't find as useful. We will always be looking to have the best quality PPO programs we possibly can.

Whether or not there's a need for the Auditor General, personally I don't believe the Auditor General has much expertise in the area. What I think would be better, from our point of view, is to ask farmers what they really want and then design programs to suit them.

**Mr. Earl Dreeshen:** Thank you.

Let's go back to the Gibson Capital report—an expert firm, as you indicated. I'm just wondering if you were aware of the Informa study, the 2008 report they have done.

I'll just mention a couple of the points. This is from the same people who were helping you with your report: Findings from the Informa study of June 2008 to Canadian Wheat Board earns no premium for farmers. U.S. farmers received higher prices for spring wheat in five of the past six years. Canadian Wheat Board spring wheat pool returns have been on average \$15.97 per tonne below North Dakota average prices. U.S. farmers received higher prices for durum wheat in five of the past six years. Canadian Wheat Board durum returns have been on average \$12.29 per tonne below North Dakota average prices. U.S. farmers received higher malt barley prices. In North Dakota, six-row malt barley prices have been \$21.11 per tonne higher than Canadian Wheat Board returns. North Dakota two-row malt barley prices have been \$5.51 per tonne higher than Canadian Wheat Board returns.

But then let's take a look at the other side: "In eight of the last nine years, canola prices received by Canadian farmers have been higher than canola prices received by U.S. farmers."

Then if we also speak to the administrative costs, increased by an average of \$2 million or 7.2% annually over the past 20 years, I think you can see why some people are saying there should be some studies done in this regard. I guess that's really what I'm looking at in that particular point in time.

How does the Canadian Wheat Board justify the differences we see there? Is it a case of getting too big and that you have too much machinery you're trying to deal with?

**Mr. Ian White:** There are a lot of aspects that you've just talked about there. When you go back to the informal study, we do have a very big difference of opinion on that. We have put out on our website our own—

**Mr. Earl Dreeshen:** Are these not the same people, though, who did your other study?

**Mr. Ian White:** The Gibson people?

**Mr. Earl Dreeshen:** Yes.

**Mr. Ian White:** Certainly not. I don't understand that at all. The Wheat Board has said that you can't draw some of the comparisons they've made. A lot of the comparisons they've made have been incorrect, and we have pointed those out.

But I do think it is important to have a proper study done, a proper understanding of these matters, rather than some of what I would consider to be pretty one-sided analysis that has been done.

**Mr. Earl Dreeshen:** Thank you.

I would like to move a motion, then, that the Canadian Wheat Board provide the full report of the Gibson Capital review to the House of Commons agriculture committee by June 1.

You have the report, so—

**The Vice-Chair (Hon. Mark Eyking):** You can't put a motion out like that. I think you can request it from them.

If you have a full motion, I think it has to be done a different way.

**Mr. Brian Storseth:** On a point of order, Mr. Chair, actually, on page 851 of Marleau and Montpetit, under "Committees", I think you'll see the chapter in regard to notice of motion. It leaves that up to the committee.

In our committee routine proceedings, which I verified with the clerk, Mr. Easter moved "That 48 hours' notice be required for any substantive motion to be considered by the Committee, unless the substantive motion relates directly to business then under consideration". This clearly does, so I believe Mr. Dreeshen's motion would be in order.

**The Vice-Chair (Hon. Mark Eyking):** Well, I'm not going to entertain it right now.

•(1255)

**Mr. Brian Storseth:** Is that your ruling, Mr. Chair?

**The Vice-Chair (Hon. Mark Eyking):** That's my ruling. Right now, because we have these witnesses here—

**Mr. Brian Storseth:** Mr. Chair, we challenge the chair's ruling on this.

**The Vice-Chair (Hon. Mark Eyking):** So be it.

**Mr. Brian Storseth:** Could we get a recorded vote, please?

**The Vice-Chair (Hon. Mark Eyking):** Do you want to nominate another chair?

**Mr. Brian Storseth:** No, we're just challenging your ruling on that and we would like a recorded vote.

**The Vice-Chair (Hon. Mark Eyking):** Okay, who's here? You have more here than—

**Mr. Brian Storseth:** Only the ones who are allowed have signed in.

**The Vice-Chair (Hon. Mark Eyking):** The motion would be that the chair's ruling is being sustained.

**Mr. Brian Storseth:** That the chair's ruling is being sustained...?

**The Vice-Chair (Hon. Mark Eyking):** That would be your motion.

**Mr. Brian Storseth:** We're challenging the ruling of the chair.

**The Vice-Chair (Hon. Mark Eyking):** You're challenging my ruling.

**Mr. Brian Storseth:** For the information of everybody at the table, so we're clear, a yea vote—

**The Vice-Chair (Hon. Mark Eyking):** Mr. Easter.

**Hon. Wayne Easter:** I don't know whether we can deal with this now, with the challenge to the chair, but the fact of the matter is that if you're going to put a motion, you have to have unanimous consent of the committee. If we're going to debate the report, we are going to have to spend some time on asking the Wheat Board, on this report, what are the commercial implications to Canada as a result—

**The Vice-Chair (Hon. Mark Eyking):** Mr. Easter, we can't debate this. There is a motion to challenge the chair and that the chair's ruling be sustained. So I think we have to go with yeas and nays on this.

**Mr. Brian Storseth:** Mr. Chairman, we're not asking for debate. We're asking for clarification for the new members, and all the members, to make sure they know exactly what they are voting on if they are voting yea or if they're voting nay. Could the clerk describe that?

**Mr. Francis Valeriotte:** [*Inaudible—Editor*]

**An hon. member:** No coaching the chair, Mr. Valeriotte. Come on now, he's supposed to be independent.

**The Vice-Chair (Hon. Mark Eyking):** It's very simple, I think. There was a ruling on a motion, and I didn't see it fit. You're questioning the chair's ruling on that, so you're asking that the chair's ruling be sustained. We're going to bring it to a vote and it has to be—

**Mr. Brian Storseth:** I'm not actually asking for the chair's ruling to be sustained. I'm looking to overturn the chair's ruling.

**Mr. Steven Blaney:** But I think the question is, will the chair's ruling be sustained? So we would vote no.

**Mr. Brian Storseth:** We want to be clear, because the wording that he is—

**Hon. Wayne Easter:** Did the Prime Minister's Office not give you the proper directions, guys, or what?

**Mr. Brian Storseth:** I want to make sure Frank knows.

**Hon. Wayne Easter:** You should know. It's the little guys behind you there. Is the proper direction coming forward?

**Mr. Brian Storseth:** You have the floor, Mr. Chair.

**The Vice-Chair (Hon. Mark Eyking):** Order.

If you vote yea, it maintains the chair's ruling. If you vote nay, you don't go with the chair's ruling.

All in favour of the chair's ruling will signify by raising their hand.

**An hon. member:** It's a recorded vote.

**Hon. Wayne Easter:** Mr. Chair, it's a set-up.

(Ruling of the chair overturned: nays 6; yeas 5)

**The Vice-Chair (Hon. Mark Eyking):** The chair's ruling has not passed. So that means the motion will go forward.

**Hon. Wayne Easter:** It means the motion will be debated.

**The Vice-Chair (Hon. Mark Eyking):** Yes, it will be debated.

I just want a little clarification from the committee. It was noted at our last meeting that we wanted to deal with this bill; and we were going to extend the meeting past one o'clock to deal with the bill.

Whether we get into a debate on where we're going to go for the next hour.... If you want to debate this motion for a while, we will, but we have the government officials here dealing with the other bill.

So right now, do you want to go ahead with this motion and should we keep the witnesses here?

**Mr. Brian Storseth:** Mr. Chair, I think we can resolve that by calling the question right now.

•(1300)

**Hon. Wayne Easter:** No, we're not calling the question, because we have lots to debate on this one.

**Mr. Brian Storseth:** Well, that's up to you, Wayne. We're willing to call the question.

**Hon. Wayne Easter:** I would suggest to the government members that this debate on this motion is clearly a set-up by the government

**The Vice-Chair (Hon. Mark Eyking):** Mr. Easter, I think we're going to debate the motion right now, if that's the will of the committee. If they want to debate this motion, it will change the intent we had on Tuesday on how this meeting should go, but so be it; I've been overruled on that.

So we're dealing with the motion now, and I guess it should be read.

The clerk will read the motion that's been put forward.

**Mr. Brian Storseth:** Mr. Chair, can we let the witnesses go?

**Hon. Wayne Easter:** No, Mr. Chair, unless the witnesses have flights to catch, I submit in regard to the discussion on this motion that this goes to the ability of Canada to compete in the international market, when this committee demands.... They wouldn't demand the same thing from Cargill Grainor Dreyfus, or anybody else—

**The Vice-Chair (Hon. Mark Eyking):** Mr. Easter—

**Hon. Wayne Easter:** I was asked a question, Mr. Chair.

It could put at risk Canada's competitive position in the world if this report were made public. The minister has the report, as I understand it. Is that correct?

And if he has the report, the parliamentary secretary also has the report available to him, yet he has spent half of this day talking about and attacking it.

And the minister, we know, has not met personally with the Canadian Wheat Board since he became minister.

So, Mr. Chair, if we're going to debate this motion, I can guarantee you, folks, it's going to take a long time.

Do you want Bill C-29 through this House before spring or not? I ask because it's not going to get through today, which is the reason we're meeting for the next hour.

Now, if you want to play games, we'll play games, guys. And I'll guarantee to you that you are going to be responsible for not getting that credit availability we want for farmers if this does not get through the House before spring.

**The Vice-Chair (Hon. Mark Eyking):** Thank you, Mr. Easter.

I'm going to make a ruling here that it's up to the witnesses if they want to stay. As long as this motion is going through, it's up to them if they want to stay or leave.

We're going to go to the motion now. We're going to read the motion, it's going to be debated, and it's up to the committee how long you want to debate it. But as you know, you're biting into the time of the department and the other bill. So be it.

Right now, I'm going to ask for the motion to be read.

**The Clerk of the Committee (Ms. Isabelle Duford):** Mr. Dreeshen moves that the Canadian Wheat Board provide the full report of the Gibson Capital review to the House of Commons agriculture committee by June 1.

**The Vice-Chair (Hon. Mark Eyking):** Is there debate?

**Hon. Wayne Easter:** [*Inaudible—Editor*]...the reasons for putting the motion, Mr. Chair.

**The Vice-Chair (Hon. Mark Eyking):** Does the mover want to discuss why he wants to put this motion forward?

**Mr. Earl Dreeshen:** Well, I think some of the discussions we've heard here today indicate that the report has great ramifications regarding the types of things that are happening at this point in time. I think it's important that the agriculture committee have an opportunity to look at it.

Apparently this was completed back in the fall, and it wasn't delivered to the government until a few months ago. It hasn't been released to the public. But I think if you take a look at it, one of the reasons could perhaps be fairly obvious, that it's in between the dates of the Canadian Wheat Board elections.

So I think there are some concerns, and it seems as though it could be a damaging report on performance. I think if we're going to discuss the types of things that are happening in the industry, it's important for this report to come to the committee so that we can have a full airing of it.

**The Vice-Chair (Hon. Mark Eyking):** Mr. Atamanenko.

**Mr. Alex Atamanenko:** I'd like to follow up on what Wayne said.

It's my understanding that this is a pretty sensitive document. It talks about competition. The minister has the document, I understand. The Wheat Board has requested a meeting with him. I think it would be prudent to let the Canadian Wheat Board and the minister discuss this. If there is any chance that it could interfere with the ability of the Canadian Wheat Board to compete, then I think we should not be taking that chance.

Let's not forget that the Wheat Board has been under attack for many years from the major global players, and each challenge has been refuted. This could be seen as an attempt by the competitors to get some information that would make the Wheat Board less competitive.

For that reason, I think we should leave it between the minister and the Wheat Board.

•(1305)

**The Vice-Chair (Hon. Mark Eyking):** At this moment, I have to leave the chair. Our permanent chair is gone, our other vice-chair is at the House, and I have to leave for the House too. We have to have a chair to replace me.

Do I have any nominations to take over the chair?

**Mr. Brian Storseth:** I'll nominate Mr. Easter.

**Hon. Wayne Easter:** I decline.

I have a question to the clerk on that, Mr. Chairman. We do have a dilemma. I think we would have been willing to deal with Bill C-29 and look at giving it passage by this committee without a regular chair.

You are a vice-chair, Mr. Bellavance is a vice-chair, and Larry Miller is the chair. The committee cannot function, as I understand it, unless somebody accepts a nomination to be chair, is that correct?

So if we don't have anybody in the chair, then the committee cannot function unless somebody is willing to agree to accept the nomination to chair.

We are missing Mr. Bellavance and we're missing Mr. Miller. I submit that the reason we are missing Mr. Miller is the kind of game directed by the PMO that we're seeing in terms of this motion.

We need to have a regular chair.

**The Vice-Chair (Hon. Mark Eyking):** Well, we're in luck. Another vice-chair has arrived on the scene. Now, in all fairness—

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

[*Translation*]

**Ms. France Bonsant:** Mr. Vice-Chair, there's something I don't understand. Has the Canadian Wheat Board report been submitted to the minister's office?

**An hon. member:** Yes.

**Ms. France Bonsant:** If the report has been submitted to the minister's office, what's preventing them from reading it? They belong to the government.

[*English*]

**The Vice-Chair (Hon. Mark Eyking):** I think we have to look for a new chair. The chair has to be replaced. We're not going to get into any more debate until we have a new chair.

We're in a situation now where there are no nominations for a new chair. That being said....

**Mr. Brian Storseth:** Thank you very much, Mr. Eyking. It's unfortunate that you have to leave, because we have all the confidence in the world in you as the chair.

I do find it a little rich to hear Mr. Easter talking this way when in the justice committee in the last Parliament, when the chairman left from the Conservative side they called it partisan games, they called it delaying.

**The Vice-Chair (Hon. Mark Eyking):** Mr. Storseth—

**Mr. Brian Storseth:** And now they're manoeuvring to do the same thing this time.

At this point in time, I'd like to nominate Mr. Valeriotte to be the chair.

**The Vice-Chair (Hon. Mark Eyking):** No, Mr. Storseth, you didn't nominate anybody for the chair, so the meeting is now ended. I was hoping that you would come up with another nomination.

**Mr. Brian Storseth:** Well, I tried.

**The Vice-Chair (Hon. Mark Eyking):** The meeting is over.







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