

What difference does the CWB make?

The following are common questions about the Canadian Wheat Board along with brief answers. For more detailed information from the CWB or the National Farmers Union see the websites at www.nfu.ca or www.cwb.ca, phone your CWB Director or call the NFU at (306) 652-9465.

⇒ Why is the single desk such a big deal?

The single desk means that the CWB sells all of the wheat and barley produced on the prairies (except for feed barley) and is thus able to negotiate the best price in each market. The only way a buyer can get our product is by going through the CWB. The proceeds of sales are pooled and returned to all farmers equitably. Everyone benefits from the expertise and the market power of the CWB. The CWB, along with the Canadian Grain Commission and the Canadian International Grains Institute, also ensures that all Canadian wheat and barley meets quality standards, thus it makes our grain a “branded” product with a high reputation in world markets. Without the CWB our grain would become an undifferentiated commodity competing on price alone, leading to a downward spiral of both price and quality. If we did not have the single desk it would be possible for farmers to undercut each other and sell smaller quantities directly to buyers. The effect would be a drop in prices for everyone.

⇒ Can the CWB still operate without the single desk?

If there was no single desk the CWB would lose its market power. Voluntary marketing co-ops fail because a certain number of people will try to market on their own when prices are high, but come back to the co-op when prices drop. Instead of pooling during good times and bad and thus spreading the risk, they try to beat the market, harming everyone in the long run. Voluntary marketing coops don't obtain price premiums and can't get favorable financing because they are based on “fair weather friendships.”

⇒ What is the difference between the CWB and a grain company?

The CWB is a marketing agent – it collects all prairie wheat and barley then sells it to buyers on behalf of all prairie farmers, returning all proceeds, less the cost of marketing, to the farmers. Buyers can be grain companies or other countries. Grain companies, on the other hand, buy grain and then sell it to further processors. Grain companies seek to return profits to their owners (shareholders) and to expand their businesses, so they buy at the lowest possible price and sell to their customers for the highest possible price. Proceeds are not returned to farmers, but are distributed to shareholders or reinvested.

⇒ Isn't competition in the marketplace a good thing?

The CWB's single desk means that buyers compete with each other to purchase Canadian wheat and barley. When there is one seller (the CWB) and many buyers, the buyers bid the price up. If the CWB is dismantled there will be many sellers (farmers) trying to sell to a few buyers (Cargill, ADM, Bunge, Viterra and Louis Dreyfuss). There would be competition between farmers who need to sell their grain in order to pay their bills. The few buyers could offer the lowest price they can get away with. These companies can do market research to avoid offering prices that are higher than their competitors. And because grain is not perishable, buyers could stockpile it during low-priced years and wait out farmers in other years, keeping prices down.

⇒ What about value-added industry?

CWB opponents claim that ending the single desk will encourage further processing on the prairies. They don't say that the reason they think this will happen is because grain would be sold at lower prices. We were also told that the end of the CWB would bring increased value-adding on the prairies. It did not happen then, and it won't happen now. Value-added industries seek to buy grain at the lowest prices possible, and will import grain (such as subsidized US product) in order to depress local markets. Pasta is often mentioned as a value-added



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opportunity, but this is unrealistic. It is a mature industry dominated by large companies that can buy shelf space in supermarkets. Independent pasta makers operating in the US owe their survival to laws that require prisons and schools to purchase from them. Yet, in western Canada flour milling capacity has increased faster than in the US due to the CWB single desk advantage. Factors such as population density and distance to markets, not the CWB, are limits on value-added processing on the prairies.

⇒ **What will happen to producer cars if the CWB ends?**

The CWB accepts producer cars at port and purchases the grain, allowing farmers control over handling costs. Grain companies own the port terminals and without the CWB, they would not necessarily accept producer cars, and would likely force farmers to use their elevators and to pay handling charges, thus ending any saving from producer cars. Without the CWB it is unlikely that the producer car option would continue to exist. Since short lines get most of their traffic from producer cars, short lines would also likely go out of business if the CWB is dismantled.

⇒ **What will happen to freight rates if the CWB ends?**

The CWB is the only shipper that challenges the railways to provide better service. It can do so because it controls all grain movement from the prairies to port. If the CWB is dismantled we can expect the situation to become more like areas in the USA that are served by only one railroad. Farmers must get their grain to market so they are forced to deal with the railroad no matter what it charges for freight. In these areas freight rates are much higher than in western Canada.

⇒ **Will payment be guaranteed if the CWB ends?**

When we deliver Board grains we receive an initial payment, a final payment and often one or more interim payments once the total revenue from sales is known. The federal government guarantees the CWB's loans, providing for the best interest rates as well as security for the time between delivery of grain and receipt of payment from the buyer. Farmers don't need to chew their nails wondering if they will ever get paid. Without the CWB sales would be much less secure and some buyers may default on payment.

⇒ **What about Freedom?**

Opponents of the CWB are unable to answer these economic questions, and resort to emotionally loaded terms such as "freedom" and "choice". But what does freedom really mean? How free are you once you've signed a contract to deliver canola at a certain price and time? How free are you if you take on all the risk and as a result of weather, you have to pay out to a grain company because you had a crop failure? All freedom is limited because people need to respect others in a civilized society. Under the CWB Act we have the freedom to vote on changes that affect the single desk, and we have the freedom to run for election and to vote for directors to represent us in the running of the Board. We are also free to grow or not grow Board grains, and are entitled to grow as much as we like and the Board will sell it for us – or we can utilize the CWB's producer buy-back program and market it as we choose. The CWB provides for a great deal of freedom. The question is why would our government consider the opinions of a few who dislike the CWB to be more important than the majority of farmers who want the CWB to continue working for them?

⇒ **Does this vote count?**

The government says it will not recognize the CWB's vote, but it will be hard to ignore a strong response. If there is a low turnout it will be easier to dismiss the results and proceed with plans to dismantle the single desk. Furthermore, opponents of the Board have called for a boycott of the vote. You can be sure that every ballot that is not mailed in will be interpreted by them as a vote against the CWB. This vote counts for a lot!



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