

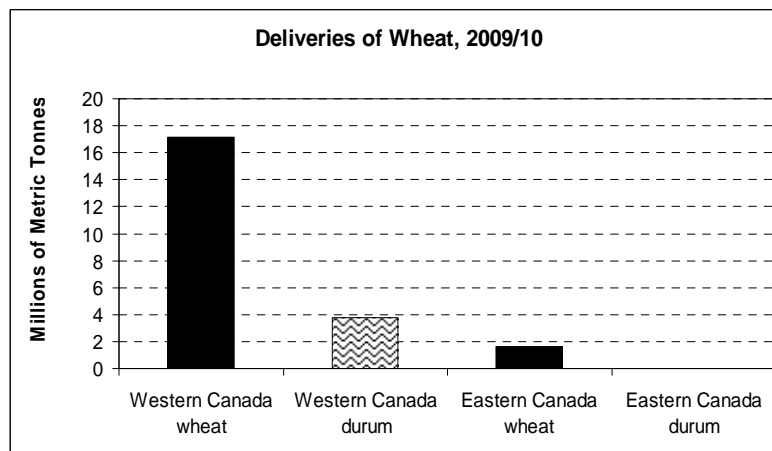
Canadian Wheat Board and Ontario Wheat Producers Marketing Board

Two very different situations

Why are western farmers deeply concerned about losing the Canadian Wheat Board, their single desk marketing agent, when Ontario farmers recently chose to end theirs? The two situations are completely different. Anyone who attempts to say they are the same is simply ignoring the facts.

1. Ontario Farmers decided on changes their marketing system, not the federal government. The Ontario Wheat Producers Marketing Board was started by farmers in 1958 to obtain better prices when they sold their crops to flour mills each fall. In a 1973 two-thirds majority vote they decided make their board into a single desk selling agency. In a process starting in the late 1990s, their farmer-elected board of directors began a transition towards an open market, which was completed in 2003. The OWPMB merged with the corn and soy producers association in 2010, and now operates a marketing pool through the Grain Farmers of Ontario.

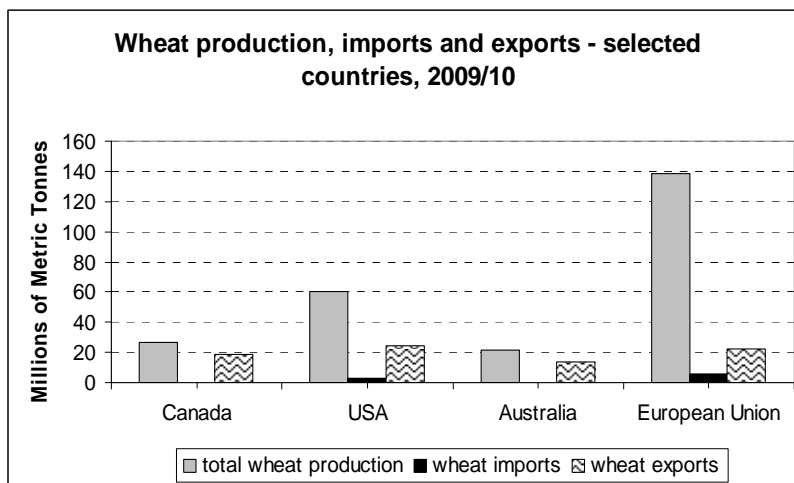
2. Western wheat production is ten times that of Eastern Canada (Ontario, Quebec and the Maritimes combined). The graph below illustrates the difference in total amount produced in the two areas. In addition, wheat is a smaller crop on individual Ontario farms, where soybeans and corn are the primary cash crops. Thus, the impact on Canada and on prairie farmers from changes to the CWB is much greater than the impact of changes to the Ontario system.



3. The Ontario wheat business is completely different from the western Canada's

- Ontario produces soft wheat used for pastry, cookies, donuts, etc.
- Prairie farmers produce hard red spring wheat for bread-making and durum for pasta.
- Ontario produces less than 10% of Canada's wheat, the Prairies produce 80%.
- Most of Ontario's wheat is sold within Canada or in the northern USA (65% + 25% = 90%), while most of the Prairie wheat is exported (68%), with 13% of it being sold and processed domestically
- Ontario flour mills rely on prairie wheat for bread flour.

3. US-Canada trade in wheat is relatively low. Ontario farmers benefit from the difference in grading where the US allows higher levels of fusarium infection in its milling wheat than Canada does. As a result, Ontario farmers could increase exports when US farmers had high fusarium levels. However, the graph below shows that compared with what it produces, the USA imports a relatively small amount of wheat, and its exports nearly equal Canada's total production. The current Ontario exports into the US market are significant for Ontario wheat growers, but it is unlikely that the US would take additional Canadian wheat unless the price of Canadian wheat was reduced to the point it could replace their domestically grown wheat, allowing the USA to export even more. The CWB seeks high end markets for high quality milling wheat and durum in over 70 countries, and does not have to pursue markets by reducing its prices.



4. Transportation is a less important factor in Ontario. Most Ontario farmers can get their crop to market for \$15.00/tonne in freight costs, as the wheat belt of Ontario is near the flour mills and the Great Lakes terminals. On the Prairies, the volume produced, along with the distance between farms and country elevators, inland terminals, domestic markets and ports makes transportation costs significant. The CWB is a strong advocate for fair transportation rates, and provides a countervailing force to the railways' power. The CWB also ensures that farmers can exercise their right to use producer cars (rail cars farmers fill themselves instead of paying grain handling fees to elevator companies) by ensuring that they can unload at port and include their grain in the CWB's shipments.

5. Post single desk, Ontario farmers pay more handling fees. The OWPMB got a higher price for farmers by guaranteeing the domestic millers' supply. Farmers were also paid a \$5.00/tonne premium to deliver directly to mills instead of to country elevators. This arrangement ended in 2003. Since then, mills have contracted with brokers and traders in order to secure their supply. As a result, farmers have to pay handling fees to these middlemen, and end up holding onto less of the value of their own crops.

6. Wheat is cleared from the Ontario system quickly. The Ontario wheat crop is usually sold soon after harvest in July and early August. Farmers often sell their wheat straight from the combine and store very little of it on the farm as their bins need to be ready for the larger soy and corn crops which are harvested in September and October. Ontario wheat is quickly moved to end-users or to port for export. With prairie grains, the volume produced and distances involved means that an orderly system of moving grain is required to prevent bottlenecks. Without the CWB's ability to organize deliveries, it is likely that farmers close to inland terminals, and those with large trucking capacity, would plug the system at harvest time.

Ontario wheat farmers

- ⇒ Ended their single desk through a farmer-led democratic process
- ⇒ Produce wheat that is used for pastries, cookies and cakes
- ⇒ Produce less than one-tenth the volume of wheat that prairie farmers produce
- ⇒ Sell about 90% of their product within Canada and northern USA
- ⇒ Have low transportation distances and costs
- ⇒ Now pay grain companies more to handle their crops

Prairie wheat farmers

- ⇒ Voted in favour of keeping the CWB, and face having it taken away against their will
- ⇒ Produce hard red spring wheat used for bread and durum used for pasta
- ⇒ Produce 80% of Canada's wheat
- ⇒ Must pay freight costs to transport grain long distances to inland terminals and to port
- ⇒ Rely on the CWB to ensure fair market access for all, including users of producer cars