CWB Price Premium a Myth

By Rolf Penner

Current, real world, back to the farmer’s pocket, price comparison shows that the Canadian Wheat Board (CWB) does not extract premiums from the marketplace. In fact the opposite is true. The current system is costing individual Prairie producers tens of thousands of dollars a year and the Western Canadian economy hundreds of millions of dollars annually.

- The closing prices for 13.5% protein Canada Western Red Spring (CWRS) wheat as of June 14, 2007 show a net loss of between $1.00 and $1.88 per bushel (or $36.74 to $69.08 per tonne). The loss is the difference in price offered for new crop production by the present Canadian Wheat Board government monopoly to that of private grain companies just across the border in the United States.

- For every 500 acres of spring wheat that a Manitoba farmer grows, they are losing on average anywhere from $20,000.00 to $37,600.00 if you assume a yield of 40 bushels per acre.
According to Statistics Canada 17 million acres of spring wheat was planted in western Canada this year, which works out to an economic loss of between $585 million and $1.2 billion for the prairie economy.

Conclusion: This report is further evidence that the Canadian Wheat Board in its current state is not maximizing returns back to our farmers. Rescinding the CWB’s legislated buying monopoly so as to allow other buyers in Canada and around the world to compete for Western Canadian farmer’s wheat would greatly improve the situation. Competition would dramatically raise the prices farmers are currently receiving thereby enabling them to effectively compete in the global marketplace.

Background Data: Bottineau, North Dakota, Boissevain, Mb. location\map

Canada\ US exchange rate 94 cents Canadian= 1.00 US dollar (Source, based on CWB’s dollar calculation for June 14, 2007 Minneapolis Hard Red Spring futures price)

Bushel to tonne conversion factor, 36.744 bushels per tonne of wheat.

40 bushel/acre average yield comes from CWB 2005-2006 Statistical Tables, table 2 shows 1,082 kilograms/acre for 2005, which equals 40 bushels/acre.

Alton Grain Terminal, Bottineau North Dakota, for October 31 delivery, Spring Wheat DNS 14% protein on June 14th was $5.73 USD \9.94 exchange rate = $6.10/bushel or $224.138/tonne Canadian, back to the farmers pocket in Bottineau.

CWB 2007-2008 fixed price contract for June 14th 2007, for 13.5 CWRS was $6.61/bushel minus $1.49/bushel or $242.75/tonne minus $55.20/tonne (standard deduction back to Manitoba) = $5.10/bushel or $187.55/tonne back to the farmers pocket in Boissevain Mb. (Source)

$55.20/tonne standard Manitoba deduction is based on the CWB May 24th 2007 pool return outlook for the 2006-2007 crop year. (Source)

CWB Pool price based on the May 24th 2007 pool return outlook (PRO) for 13.5 CWRS, was $5.72/bushel minus $1.49/bushel or $210/tonne minus $55.20 standard deduction back to Manitoba = $4.22/bushel or $154.8/tonne back to farmers pocket in Boissevain Mb. (Source)
17 million acres spring wheat, Statistics Canada

Standard Saskatchewan deduction $58.07/tonne taken off CWB prices and a $7.35/tonne transportation cost taken off Alton price for Western Canada loss calculation.

**Bottineau price** 224.13/tonne - $7.35/tonne = $216.78/tonne or $5.89/bushel Canadian (36.744 bu/tonne) x 40 bu/acre x 17 million acres = $4,005,200,000.00

**CWB Fixed Price** $242.75/tonne – 58.07/tonne = 184.68/tonne or $5.03/bushel Canadian x 40 bu/acre x 17 million acres = $3,420,400,000.00

**CWB PRO** $210/tonne – 58.07/tonne = $151.93/tonne or $4.13/bushel Canadian x 40 bu/acre x 17 million acres = $2,808,400,000.00

Protein and grading measurements are slightly different between the United States and Canada, the standard US DNS (Dark Northern Spring) 14% measurement is the same as CWRS (Canada Western Red Spring) 13.5% the difference in protein is due to a different moisture benchmark. It is therefore fair to compare the prices of these two as they are for the same wheat.

**About the author:**

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