

WHEAT:

13.5 % PROTEIN, 86.5% POLITICS

or

The Monopoly that always cries WOLF!

or

IS/WHY IS WHEAT DIFFERENT?





TWO FUNDAMENTAL QUESTIONS


1. What does the CWB deliver?

To Whom?

[producers?? lost freedom vs financial gain??]

2. Why does WHEAT (barley) on the prairies occupy unique legal ground?

(has not, is not, about producers)



A MORE BASIC POLITICAL PHILOSOPHY QUESTION

**IN 2006, WHY DO WE EVEN HAVE TO ASK
THESE QUESTIONS?**

- market evolution, deregulation
- 'free trade'
- informed farmers
- property rights



ECONOMIC EVIDENCE

THREE ANALYTIC MODELS

- "at-port" analysis/ *revenue benefits*
- farm impacts/ *system costs*
- cross border *elevator price comparisons*

- one "*net benefits*" analysis




AT- PORT REVENUE ANALYSIS

- ◆ Initiated by CWB 1995, trusted economists.
- ◆ Kraft, Furtan, Tyrchniewicz 1996.
- ◆ Schmitz and co. 1997 (also 1993).
- ◆ Gray, *Benchmarking CWB Performance, 2001.*
- ◆ \$10 to \$39/tn on wheat at port all, attributed to farm level.
- ◆ Schmitz' et cie say monopoly reduces costs.
- ◆ Studies not verifiable/ confidential data
- ◆ Whither "benchmarking"?



SYSTEM COSTS/FARM PRICES

- ◆ Carter & Loyns, 1996 (Carter cbm, 1993).
- ◆ Parson & Wilson, US/Can. Comparison, 1998.
- ◆ Geo. Morris Center, 2002 (inc. NET Benefits).
- ◆ \$10 to \$25 > system costs attributable.
- ◆ lower farm prices.
- ◆ negative net benefits.
- ◆ almost no confidential data employed; results are verifiable by anyone.



PARSONS & WILSON, 1998 (1995/96 data)

- ◆ Cdn country elevator charges 2X higher.
- ◆ Cdn terminal charges 3X higher.
- ◆ Cleaning charges 0.5X higher.
- ◆ EEP out/ US farmers got \$36.28 more on wheat (\$45.31, barley).
- ◆ Cdn system costs to prairie farmers are \$505m than ND & \$415m more than Mon.



GEORGE MORRIS CENTER, 2002

- credible reputation in ag policy analysis.
- an excellent review of all these studies.
- system costs are real.
- new contributions to the debate.
- historic quality/export bias.
- significant prairie value-added losses.
- reran much of the Carter & Loyns analysis.
- *net benefits of the monopoly are negative.*



CROSS BORDER PRICES

◆ Several serious studies;

Rutter, MSc. 1997

Carter, CBM, 1993

Carter & Loyns, 1996

Parsons & Wilson, 1998

- Many casual spot checks (Otto, Oct.19/2006)

***All consistent results; higher elevator prices in the U.S. for both wheat and barley.*

***Too many observations over too long a time period to ignore.*

MAJOR CONCLUSION

(from the economic literature)

- ◆ **No overwhelming, indisputable evidence that the monopoly generates NET Benefits to farmers.**
[Positive results vs loss of freedom can not be argued]
- ◆ **Significant evidence of higher costs;** serious regulation, what else would reasonable people expect?
- ◆ **Export bias/ loss of value-added/reduced prairie grain/food business on the prairies.**
(remember Crow "subsidization")



LEGAL STANDING

WITH MAJOR ECONOMIC SIGNIFICANCE

- ◆ CWB is responsible to Parliament and Producers, 1998
- ◆ CWB directors are responsible to the CWB
- ◆ No “duty of care” to prairies producers.
(historically and recently).
- ◆ Muldoon, Charter Challenge.
(economic/property/commercial interests not protected)
- ◆ Move to another province.
- ◆ Act requires “orderly marketing”this is orderly marketing.

These legal decisions compound stress and dissatisfaction/ make no business sense.



THE SKY IS FALLING

(ALWAYS CRYING WOLF!)

- ◆ Strong/growing propaganda machine
- ◆ Early 70s; protein grading 'over my dead body'
- ◆ New pools
- ◆ Feed grain policy 1972, 1974.
- ◆ Info release, inc. Loyns & Carter, 1991.
- ◆ Different quality wheat, inc. US varieties.
- ◆ Removal of oats, 1989.





THE SKY IS FALLING

(ALWAYS CRYING WOLF!)

[there are many more]

- ◆ Continental Barley Market, 1993.
- ◆ Wheat quality/ KVD/ VED eg. Alsen & fusarium;
high yielding ethanol material
- ◆ GM wheat, post 2000.
- ◆ Removal of the monopoly, espec. 2006

READ THE PRESS RELEASES



VOLUNTARY POOLS

- ◆ Will/do work *IF DEMAND & WELL DESIGNED*

there are private sector pools in ag & there are coops

- ◆ Design:

- time period
- commercial specifications
- obligations

To refute functionality of voluntary pools
is to *REFUTE THE EXISTENCE & POPULARITY OF
MUTUAL FUNDS. Mutual funds work.*



MARKET POWER

- ◆ Certainly on CWB grain IN CANADA.
- ◆ Certainly in procurement (exc. feed grains).
- ◆ Small amount of export grain.
- ◆ World markets have changed.
- ◆ Price discrimination:
 - Domestic propaganda
 - Trade dispute denial
 - What is the truth?

CONCLUSIONS

- ◆ The organization is a vestige of the past.
- ◆ Monopoly powers are almost unique.
- ◆ There is no definitive evidence of payoff.
- ◆ There is considerable evidence of farmer and public costs.
- ◆ Wheat really is not different exc. for the Act.
- ◆ The organization attracts too much counterproductive attention.
- ◆ The sky has not/will not fall.

