

WITH the Hon. Charlie Mayer, P.C., former federal Minister of Agriculture



CHARLIE MAYER had a distinguished political career as a Member of Parliament for Portage-Lisgar. It included cabinet appointments to federal government portfolios including Minister of Agriculture, Minister of Western Economic Diversification, Minister of State for Grains and Oilseeds and Minister of State for the Canadian Wheat Board, where he moved oats into the open market. He currently serves on the Boards of Vacchi-Test™ Corporation, Agronix Inc., Teilhard Technologies Inc., Care Canada and the Frontier Centre for Public Policy. Mayer has also served as Chairman of the Manitoba Crop Insurance Corporation and as a Director of the Canada Bread Company Limited. He was inducted into the Canadian Agriculture Hall of Fame in 2005. He operated a mixed farm at Carberry, Manitoba, for thirty years until 1996. He was interviewed following a speech to a Frontier breakfast March 16, 2007.

**Frontier Centre: You've said that the loud debate over the Wheat Board is drowning out discussion of where we should go with grain policy. What do you mean?**

**Charlie Mayer:** The only issue we seem to be talking about – and I don't even know if it's talking, it's more like yelling at each other – is the monopoly. What we need to talk about is where the industry potentially could be ten years from now. When we're always looking inward, it is virtually impossible to look out and see opportunities, and to find out what kind of strengths we can use in this country to do a better job of marketing our product.

**FC: To paraphrase, every minute that Wheat Board employees spend defending the single desk is a moment they're not selling grain to other countries.**

**CM:** Yes, and beyond that, they're not finding out what customers want. Agriculture used to be about food and fibre, and it still is. But now it's also about health and wellness, the environment and energy. Where are we going to be? Where do we want to be? How to we take the strengths that we have on the Prairies and apply them? We've got a good system of research, good transportation, a good supply of water and a good basic infrastructure. How can we use these things better and find out what our customers want us to produce? When we simply defend the status quo, we let down the people who support the Board. The Board needs to be looking at what it can do to be more valuable to the people who want to use it.

**FC: You argue that a Board without a monopoly could still do effective marketing, even in an increasingly segmented market.**

**CM:** Sure. That's a legitimate debate. I don't think anyone knows for certain, but the people that say that the Board can't survive without a monopoly don't know that. There are lots of examples where that does happen. Given the assets the Board has – goodwill, a reputation around the world for reliability and delivering grain that meets specifications – we need to look at how the Board needs to change to be effective 10, 15, or 20 years from now.

**FC: Critics say that we can't take proper advantage of the opportunities to which you allude because the single desk makes the Board unresponsive to change. Can you comment?**

**CM:** Very simply, I happen to believe that monopolies just don't work. If you have competition in the market place, you

are compelled to change. When you have a monopoly, you don't have that kind of pressure to respond to what your customers want. In my view, this goes back to what Hayek said, that the collective judgment of many people in a marketplace is always preferable to the judgment of a select few. Did we leave in place all the apparatus of central planning we used to control the economy during World War II? No, just the Wheat Board's monopoly.

**FC: You were the Minister in charge when the Board let oats return to an open market. What happened when that crop left the Board? Did things get better or worse for oat growers?**

**CM:** I think the evidence is pretty clear. That's close to 20 years ago now, and we have seen a huge increase in oat processing on the Prairies. Oat acreage in Manitoba has doubled. The proof of the policy's success lies in the fact that nobody is asking that oats be put back under the Board. If oats had of been a failure in the open market, then you would think that really strong supporters of the monopoly system would be asking that oats be returned. That's not the case. I think oats, by any measure, have done pretty well in the market.

**FC: Is the Board now accountable to farmers through its elected Board of Directors?**

**CM:** They will say that they are, and in one sense, that's true, because they have to be elected every four years. But on the other hand, my view is that, as long as you have a monopoly, they aren't accountable. If you are going to have accountability, you have to have choice. You have to have choice to deliver to one elevator or another, or to go to one store or another or, in the case of this morning's meeting, the choice to go this hotel or another. In the monopoly system, the choice is either to sell my wheat to the Board, if it's for domestic consumption or for export, or go to jail – that's the choice. I don't view that as something that I would call real accountability.

**FC: You also tried to free up barley and 20 years later we're finally in a situation where we might get free barley. What do you think is going to happen with the referendum?**

**CM:** It's interesting. In principle, I wouldn't be a supporter of a referendum as my first choice, because really you're voting on whether someone can own something or not. If you own a piece of property, you either own it or you don't. You don't want others deciding whether you do or don't own

it. Having said that, I think the ballot is reasonable because it asks three questions: (1) keep the Board, (2) get rid of the Board altogether or (3) have marketing choice. My guess is that very few people want to get rid of the Board, they just want to have it available to them if they choose. My sense is that the last two options will carry the day.

The other side of the issue is that, if you are going to have a vote, you need to weight it somehow, either by acreage or by bushels. It's like going to a meeting with Bill Gates at Microsoft, where he has 50 million shares and the three of us here each have one share and we all have equal voting. That doesn't make sense. When you have people that earn a large amount of income from barley and people that grow very little barley, I don't see how you can have a vote on that unless it is weighted.

**FC: If barley follows the path the oats did after it was freed, we can expect the returns to farmers to go up and their costs to go down. But what else would happen? What sort of diversification of that barley market could we see?**

**CM:** It's pretty easy to predict that's we'd see more malting done on the Prairies. Because of our climate and the plant varieties that we've bred, we have the capacity to produce very high-quality malted barley. I think the last malting plant built in this part of the world was in Great Falls, Montana. My guess is there's more malting barley grown around Camrose, Kindersley or Brandon than around Great Falls. So you have to ask why the last malting plant was not put up in one of those areas.

The other side of it would be that maltsters would contract directly with farmers, and we would then start growing more feed barley. Seventy percent of the varieties we grow now on the Prairies are malt barley, because farmers play the lottery and try to get higher prices. If we grew more feed barley in the first place, we could increase yields by up to 20 percent, and put that advantage into livestock.

**FC: Our Agricultural Policy Fellow argues that we don't need a referendum at all to end the single desk in barley or wheat. He said the Minister has the power to restore marketing choice with the stroke of his pen. Is he right?**

**CM:** I don't know. The *Act* was amended in 1997. When we left government in 1993, wheat was in the *Act*, so you would have had to change it. Barley and oats were put under the Board in the late 1940s by order-in-council. So we removed oats in that way, but when we tried to do the same thing with barley, we subsequently had to deal with a lot of court cases. When Ralph Goodale was Minister, he amended the *Act*, but it might not be that simple now.

**FC: Could not the government, through an order-in-council, tell the Board to issue buy-backs, or export licenses at zero cost? Then you wouldn't need an amendment.**

**CM:** That's another thing that the Board could do. Another question to that point is, "Why is the Board messing around with organic wheat?" Organic wheat producers have to sell their crop to the Board and then buy it back at a higher price

on someone else's terms. The Board has nothing to do with the marketing of organic wheat at any price. The producers find the market, they grow it to specifications and yet the Board sticks its nose in it. It just doesn't make any sense.

What happens in this vote is certainly interesting for another, related reason. I think the provinces could individually make a case by going to the federal government and saying, "We want a different consideration for this part of the *Wheat Board Act*," the same way that some provinces have different arrangements for employment insurance, or immigration or the Canada Pension Plan. Even though we are a federation, not all provinces are treated in exactly the same fashion. We could modify the monopoly from that angle.

**FC: Do you think Chuck Strahl was right to demand that the Wheat Board and its employees stay out of grain politics and stick to the marketing of grain?**

**CM:** I don't see how you could have a Crown corporation or a special operating agency get involved in politics. It would be like the Department of Finance standing up in public and advocating a change in GST or a change in Income Tax. That's the government's decision. Government agencies are there to implement government policy. They are not there to get into the debate. I think Strahl's absolutely correct in that. To the extent that the Board got involved, it let people down who support the Board. By doing things outside their mandate, it means what the Wheat Board should be doing which is marketing, not policy debate.

**FC: Do you think he was right or wrong to fire Adrian Measner?**

**CM:** I don't know the specifics of that. But can you imagine what would happen if the Governor of the Bank of Canada stood beside the Leader of the Opposition while he was talking about monetary policy? That's unacceptable. It's the same with the Wheat Board. I saw Adrian Measner on television standing beside the leader of the Liberal Party, Stéphane Dion, and Wayne Easter, the Opposition agriculture critic. You just don't do that.

**FC: Do you think that the Wheat Board can survive as a grain marketing agency without the single desk?**

**CM:** Yes, there are all kinds of precedents for it. But it would be up to them. I think the tragedy is – and they tried to say it here this morning – is the extent to which they link their survival totally to a single desk. I think they sell themselves short. I think they can survive without the single desk.

**FC: In terms of hedging risk, there would still be advantages to pooling without a monopoly to back it up.**

**CM:** Certainly, and the government of Canada could still guarantee initial payments if you wanted to pool. We used to do that all the time. Under the *Farm Products Co-operative Marketing Act*, we used to pay the initial payments for the Ontario Wheat Marketing Board. When oats were opened up in 1989, the three Prairie pools were concerned about that and came to see us. I told them that, if they wanted to pool oats, we would provide price guarantees on the same basis. But they didn't want or need to do that.

They told me they were more interested in philosophy and were following up on some of their concerns about how oats are marketed on the Prairies.

**FC: What do you think of the argument that the Board would be irretrievably handicapped in a free market by the fact that it doesn't own any grain handling facilities? Should it acquire them or is the argument bogus to start with?**

**CM:** That is something that is up for discussion. They do own producer cars. There's extra handling capacity in the system, and if any of the current merger arrangements go ahead among SakPool, AgriCore or James Richardson, the Competition Bureau may require them to dispose of some assets. There are surplus assets available. But there's also no reason why they couldn't run without them. Louis Dreyfus operates on the Prairies without, I think, a lot of physical assets, and they share facilities at export position. You can work out arrangements with different grain companies. There are several private inland terminals that manage to export grain. I think these things need to be discussed and the Board's needs could likely be accommodated.

**FC: About a month ago John De Pape gave us a presentation on barley, where he clearly showed that the Wheat Board has not been getting better prices for farmers on barley and that its handling costs are way higher than for non-Board grains, spectacularly higher. Why are Board supporters still disputing facts that are clearly in the record?**

**CM:** First, I think that the handling charges are there for everybody to see and you can compare the administration costs of the Board with the costs for non-Board crops. Income payments. But this whole idea of doing studies is beside the point. These decisions should be left to individual farmers. If they can determine that they can get a better price from marketing on their own without going through the Board, they should be able to do it.

You can do studies that prove this and that prove that. The Board does studies and someone else does studies and it just goes back and forth. Let the market sort it out and let the farmers decide. If the Board can do a better job and get better prices, then they'll go through the Board. If they don't, they'll go someplace else. Go back to what Hayek says – the collective judgment of the many always exceeds the selective judgment of just a few.

**FC: Do you think that Canada's increasingly urbanized population has lost sight of the value of the rural landscape? Are our resource sectors getting stifled as a result?**

**CM:** I agree. The less people spend on food as a percentage of their income, the less they know about agriculture. In my view, all that a lot of consumers,

taxpayers and individual Canadians hear about are these kinds of arguments among farmers. We lose sight of the fact that the industry is very good at what it does and very good for the environment. We're very good at providing safe food at a reasonable price that's always there and never in short supply. How many times have you gone to a store and asked for a loaf of bread or a quart of milk and they say, "I'm sorry, it's back-ordered?" It's always there.

**FC: What do you think agriculture and agri-business will look like in Canada in 25 years?**

**CM:** I don't think anybody knows. But it will be different. Here are our strengths: We are relatively small in the overall scheme of world production, but we are very good at what we do. We have water, and if you look around the world we have a bigger percentage of water in North America than our population. If we can use those strengths to produce the kind of food that people require and we're not afraid to adapt or change, it's going to be a great industry.

The world has increased food production by a factor of three in the last 50 years on the same acreage, and if we're going to feed the nine billion that they think the world population is going to stabilize at, we're going to have to increase food production by a factor of three again. We can do it. Canada can play a big part of that if we can get rid of some of this regulation and let people produce for the market. Once the crop is in the ground, 80 percent or more of your marketing is done. The rest is just selling it. That's the issue we have to deal with. What do our consumers want? What can we produce for them that is of value? How can we take advantage of our strengths? There's no question that it's going to be different. But I think it can be great.

Let me finish with an example of how good agriculture is and how well we serve the country. If we go back to 1930, people worked on average 91 days a year to feed themselves. Today, it's 40 days. Food Freedom Day in Canada is on Valentine's Day. That's how good we have become. The less money you spend feeding yourself, the more civil liberties you tend to have, the longer your life expectancy, the more money you have to clean up the environment – you have all those things that go with what we call a high standard of living. To quote Daniel Webster, "When agriculture flourishes, all other arts follow." Farmers are the founders of civilization. That's the message we need to get to consumers, not this nonsense of arguing over a monopoly.