

Dual desk is code for disaster

ALTHOUGH a vocal minority will no doubt portray it as such, it would be a mistake to interpret Stephen Harper's minority victory as a vote against the Canadian Wheat Board.

The spin doctors will, of course, tell you different. But on this point farmers should be perfectly clear: abandonment of Western Canada's single desk system for the sale of export wheat and barley — a system supported by the majority of western farmers — would turn the clock back 100 years, spelling disaster for the economics of prairie communities.

Back in the 1920s, before the CWB was created, Canada's farmers were at the mercy of brokers who drove grain prices down in the fall, when farmers needed cash to pay bills, and up in the spring, when granaries were empty and farmers were studying cropping options to cover last year's losses.

By manipulating price cycles, brokers were able to transfer profits from the pockets of farmers to the boards of the Winnipeg exchange, putting smiles on the faces of commodity investors and pushing rural communities to the brink of bankruptcy.

In response, farmers set up co-operatives. United Grain Growers and the wheat pools of Alberta, Saskatchewan and Manitoba allowed farmers to balance supply and demand, pool economic returns and ensure price equity for all producers.

The single desk selling authority of the Canadian Wheat Board, created under William Lyon MacKenzie King, gave farmers the market leverage to ensure fair prices to producers. The Crow Rate, initially intended to capture back for farming a small portion of the land benefits received by Canada's railways, ensured grain could be economically shipped to ports for export. The system worked well for nearly 60 years.

Then, in the 1980s, things began to change.

First to go was the Crow Rate. Transportation rates that averaged 14 cents a bushel are closer to \$2 a bushel today. Then came deregulation of Canada's railways, resulting in the abandonment of rail service to

hundreds of small prairie communities. Subsequent consolidation by the grain companies closed small, local elevators with three to eight car spots in favour of those with 50 to 100 car spots, shutting down more than 50 percent of prairie grain holding capacity.

As hauling distances increased, larger trucks were needed. In Saskatchewan, for example, roads rated for 22 tonnes now regularly service trucks hauling 64 tonnes and more, with the taxpayer picking up the tab for wear and tear.

Despite these structural changes, independent studies dating back to 1997 by noted agricultural economists Richard Grey, Daryl Kraft, Hartley Furtan and Andy Schmitz continue to demonstrate the success of the Canadian Wheat Board. Farmers received a greater return per tonne marketing through the CWB than they could have realized through any other system.

Yet today, long on rhetoric and short on history, Harper insists it's time for a change.

Make no mistake: dual desk selling for export wheat and barley is simply code for breaking the pricing authority of the CWB. And the only ones who will benefit are the multinationals.

In concentrated sectors like the grain industry, a handful of powerful players dominate the market. With the ability to manipulate prices to serve their own economic interests, why should agri-food giants like Cargill, Archer Daniels Midland, ConAgra, Louis Dreyfus and others compete in the prices they pay for export wheat and barley? It's far easier to drive down the farm price and put those profits to work competing for shareholder capital.

This is simply how oligopolies (few sellers) and oligopsonies (few buyers) work. Market dominance allows them to buy low and sell high and industry capital costs prevent would-be competitors from entering the market.

Faced with concentrated markets pre and

post farmgate, farmers are vulnerable. Globalization and trade deregulation exacerbates the problem, allowing multinationals to source cheap products from third world countries and pass otherwise prohibitive transaction costs, such as transportation, on to the buyer.

This has the effect of driving down prices paid to producers and inflating the price of feed grains.

A two-desk system for export wheat would destroy the CWB because short-term predatory pricing by concentrated grain buyers would bid grain away from the wheat board, breaking the back of the system.

Without the central desk selling authority of the CWB, farmers to the north, facing higher transportation costs, will be pitted against farmers to the south. Livestock producers will see prices escalate for coarse feed grains. Concentrated economic players will have their hands in the pockets of farmers across Western Canada and farm communities will falter.

Welcome to the 1920s. We've been here before. Those who fail to understand the lessons of history are bound to repeat them. Without political leaders prepared to listen to, understand and defend the economic and trade interests of Canada's farmers, we are all sitting ducks.

In Canada, elections are lost, not won. On Jan. 23, Canadians who had lost faith in the ability of the Liberals to govern presented the Conservatives a minority shot at doing it better.

Harper's win had nothing to do with his unenlightened stand on wheat board, and it will be up to farm organizations and politicians of all stripes to defend the interests of prairie farmers should he make any moves in this direction.

Dual desk selling is code for destroying the market power of Canadian grain farmers and with it the economic future of Western Canada's farm communities. If we don't stand for something, we'll fall for anything. Think about it.

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Opinion



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