

Book Review

Andrew Schmitz and Hartley Furlan

The Canadian Wheat Board

Regina, Canada: Canadian Plains Research Center, University of Regina, 2000.

Reviewed by Eleanor D. Glor

History of the Canadian Wheat Board

Cooperative state trading enterprises were a common strategy for giving farmers more control over the price and marketing of grain, worldwide (e.g. Australia, Canada). These cooperatives had some combination of monopolistic buying rights from farmers and monopolistic sales rights. Monopolistic sales of this type are known as single desk marketing. Prior to their introduction, farmers were price takers and faced uncertain marketing by large, oligopolistic grain companies that farmers were convinced took large profits from farmers' work. Although farmers were not entirely happy with the Canadian version, the Canadian Wheat Board, because it paid farmers the average of prices received by the Board over the course of the year, it benefited many farmers. The Canadian Wheat Board was a federal government agency.

First Canadian Wheat Boards

By the early 20th century in Western Canada, grain purchasing, transportation and marketing were dominated by large companies headquartered outside the region, such as the Canadian Pacific Railway and the trading companies that dominated the Winnipeg Grain Exchange. Producers were deeply suspicious of the business practices of these companies and hostile to their positions of power. Farmers were impressed by the success of state-led marketing as it was practised during World War I. The government created a series of boards in and around the war, each with progressively more power to control the grain trade. The Board of Grain Commissioners of 1912 was purely for regulation (to supervise grading, etc.), but by 1915 the government had taken control of all wheat exports to help the war effort, and by 1917 futures trading on the Winnipeg Exchange was banned. In 1917, the new Board of Grain Supervisors was given monopoly powers over wheat, and fixed uniform prices across the country. Soon afterwards, the Board of Grain Supervisors took over marketing of other crops as well. Farmers were worried that after the war, prices would crash, so various agrarian groups lobbied the federal government of Canada to keep the Board in place. The government relented by creating the Canadian Wheat Board for the 1919 crop only. Farmers got a guaranteed price for that crop, paid immediately, and later a further payment once the Board had completed the year's sales. This system of guaranteed prices and distributed income was extremely popular and when the Board dissolved in 1920, many farmers were livid. It certainly did not help that, "from a peak of \$2.85 per bushel in September, 1920 [prices] began a slow and sickening decline to less than a dollar a bushel in late 1923." This marked contrast to the stable Board prices of 1919–1920 seemed to confirm farmers' suspicions of market trading.

Interregnum (1920–1935)

After the dissolution of the early board in 1920, farmers turned to the idea of farmer-owned cooperatives. Cooperative grain elevator operators already existed, like the United Grain Growers, that had started in 1917. In 1923 and 1924, the wheat pools were created to buy Canadian wheat and resell it overseas. The Alberta Wheat Pool, the Saskatchewan Wheat Pool, and Manitoba Pool Elevators quickly became giants in the industry and displaced the private traders. They did not hedge against falling prices, however, instead relying on provincial government guarantees, and during the price collapse of 1929, they effectively went bankrupt. The majority of farmers did not want the private traders to return, and now it also seemed impossible for them to own their own marketing companies, so the idea of a government marketing board was revived.

Revival and Flourishing (1935–2000)

The Canadian Wheat Board was re-created by the Parliament of Canada on July 5, 1935 with the aim of controlling grain prices, thus benefiting farmers devastated by the Great Depression. During the Second World War, the Board's authority was expanded, and given the authority to set statutory maximums on wheat, oats, barley, flax, and corn between December, 1941 until expiry after the war. Membership was made compulsory for Western Canadian farmers in 1943 via the War Measures Act, now with the purpose of aiding the war effort. In April, 1943 the Board was also authorized to buy rapeseed and sunflower seed.

While the overriding concern before and during the war had been over-production, the opposite situation briefly prevailed after the war. Due to post-war market disruption, the Wheat Board remained in effect. There had been price negotiations in the interval, seeking commitments to maintain stability for shipments to the key U.K. market, that had failed. As the British notified their intention to continue direct food import purchasing in the transition period after the war, and the CWB was operating under the government's direction on export pricing, it was necessary to maintain the Board's monopoly status.

Despite the federal Liberal government policy to return to an open market system under normal circumstances, several developments prevented them from doing so. A range of food contracts negotiated with Britain during the war was under renegotiation and a long-term wheat contract was also explored. James Gardiner, Minister of Agriculture and member of the Government's Ministerial Wheat Committee, reached a tentative four-year agreement with the British. This proved highly contentious. The CWB, Western cooperatives, and commercial organizations had serious reservations over committing a large share of wheat exports with specified prices in an uncertain market environment. It cut across the plan to negotiate an International Wheat Agreement (IWA), greatly complicated consultations between U.S. and Canada with Britain over loan agreements, and left limited flexibility to offer wheat to other traditional importers. It also fixed prices for two years at preferential levels for war-torn Britain although Western producers had already made concessions under controls during the war. The prices under the contract for the last two years were to be negotiated having regard to world prices, which was of limited benefit and publicly criticized. But it meant that the CWB monopoly powers were extended for five more years using the Government's Emergency Transitional Powers Act to avoid any constitutional challenge.

The long-term contract was intended to provide market stability after the war and the federal Minister of Agriculture (Gardiner) then pursued a five year pool under the CWB, to assure supplies. This was established by Order-in-Council using the same Act and covering the 1945-50 crops. Although these arrangements were widely criticized in Canada and in importing countries, it contributed to growing pressures, led by the U.S., to negotiate an effective IWA. It also firmly grounded a compulsory wheat board for five more years covering the designated area of Western Canada.

A further development in reinforcing the continuation of the monopoly board was the resumption and eventual conclusion of an IWA in 1949. An international conference, convened under United Nations (U.N.) and the Food and Agriculture Organization (FAO) auspices in 1947, focused on a multilateral contract among exporters and importers with minimum and maximum prices and guaranteed quantities. The FAO is a specialized agency of the United Nations. The agreement required exporting countries to offer wheat up to the limit of negotiated quantities at the maximum price, and importers to purchase up to the limit of their guaranteed quantity if offered at the minimum. The 1947 conference failed mainly on price differences but a successor conference held in 1949 succeeded. To implement the obligations of the IWA, the Government extended the Board's monopoly mandate to 1953. It also negotiated with the British to settle the "have regard to" clause in an attempt to increase payments for the final two years of the contract. In principle, the bilateral agreement was absorbed in the IWA, and Britain considered that it had met its obligations. Although relatively good prices had prevailed after the war, Western producers agitated for a further payment as partial compensation for accepting lower prices during and after the conflict. The Canadian Government in the end paid \$65 million to be delivered through CWB pools, another example of the Government's use of the institution to implement a federal policy.

The CWB was made permanent in 1965, which was until then had been subject to amendments by Parliament when it periodically extended the Board's duration. The time limit in the Act was ended. CWB control over interprovincial shipments of feed grains became a public issue during the grain crisis, 1969 to 1972 and was removed. Only non-feed (for human consumption) wheat and barley remained controlled by the CWB. (https://en.wikipedia.org/wiki/Canadian_Wheat_Board)

The third-highest sales year for the wheat industry in Canada was 2011–2012 when the CWB "sold \$7.2-billion worth of grain to more than 70 countries, \$4.9 billion of which was paid back to farmers." (https://en.wikipedia.org/wiki/Canadian_Wheat_Board)

Privatization

The World Trade Organization, dominated by the United States of America, did not favour state marketing agencies. The USA did not have them, although it had cooperative monopolistic marketing agencies, for example, in California cotton. At the WTO and in free trade agreements with Canada, the USA demanded that state marketing agencies be removed from the market. The world's largest private grain marketing companies were American, so this benefited them.

Despite a September 2011 plebiscite (referendum) conducted by Meyers Norris Penny, in which 62% of CWB farmers voted that they wanted to keep the wheat board and its Single Desk power, the Canadian Wheat Board's Single Desk marketing power officially ended on August 1, 2012 as a result of the Marketing Freedom for Grain Farmers Act, passed by the federal Stephen Harper right-wing Conservative government. The Canadian Wheat Board's Single Desk marketing power ended. The Canadian Wheat Board changed its name to CWB. It continued to operate as a grain company, although the bill also set a timeline for the eventual privatization of CWB. In 2015, a 50.1% majority stake in CWB was acquired by Global Grain Group, a joint venture of Bunge Limited and the Saudi Agricultural and Livestock Investment Company, for \$250 million. CWB was combined with the grain assets of Bunge Canada to form G3 Canada Limited. The remainder of the CWB was returned to the farmers. The sale to G3 took place while a "Farmers of North America" group of Western Canadian farmers attempted to raise funds to purchase the CWB and keep it Canadian farmer owned rather than selling it to foreign corporations. The group was rebuffed despite having a higher offer (\$349 million?) on grounds that they hadn't raised the funds. (The time frame was artificially short for the kind of offer FNA was attempting) (https://en.wikipedia.org/wiki/Canadian_Wheat_Board).

For Canada, free trade agreements have been a mechanism for forcing Canadian governments to bring the Canadian economy into greater similarity to the American economy. Mechanisms developed over many years, to protect the Canadian economy, have been steadily eroded and abolished since the first free trade agreement, the Automotive Products Trade Agreement of 1965, better known as the Canada-US Auto Pact. It led to the integration of the Canadian and US auto industries in a shared North American market. While it brought great benefits to Canada, it was eventually found to be contrary to international trade rules and was cancelled in 2001. Of all the free trade agreements, it may have benefited Canada the most, by creating an integrated North American industry with a much stronger Canadian presence.

The Canadian Wheat Board was one of those mechanisms. *The Canadian Wheat Board*, by Andrew Schmitz and Hartley Furlan is an excellent, rationally-argued book. It is thoroughly documented and balances all sides of the sometimes-controversial story of a cooperative organization.

Note: Most of this book review is taken from the sources listed below.

Sources:

Crane, David. 2017, June 12. "Canada-US Auto Pact." *The Canadian Encyclopedia*.
<https://www.thecanadianencyclopedia.ca/en/article/canada-us-automotive-products-agreement>

Miner, William M. 2015. *The Rise and Fall of Canadian Wheat Board*. CAES Fellows Paper 2015-2. <https://caes-scae.ca/wp-content/uploads/2018/11/2015-Miner-Evolution-Ag-Policy-Fellows-Paper-RI.pdf> (Canadian Agricultural Economics Society).

Wikipedia. 2022. "Canadian Wheat Board,"
https://en.wikipedia.org/wiki/Canadian_Wheat_Board