



WESTERN BARLEY GROWERS ASSOCIATION

Agriculture Centre – 97 East Lake Ramp NE

Airdrie, AB T4A 0C3

Phone: (403) 912-3998

www.wbga.org Email: wbga@wbga.org

News Release

CWB Amateur Trading Nearly Sinks Corporation

Airdrie, AB. – March 9, 2009: Recently revealed trading losses incurred by the CWB strongly suggest a full-blown management review is long overdue.

“These losses are indicative of bigger problems than they’re being made out to be. As far as we’re concerned, this is just the tip of the iceberg”, said Western Barley Growers Association president, Brian Otto. “We have serious concerns about whether senior CWB managers have the appropriate knowledge and experience needed for the job.”

In the heady days of last year’s rapidly rising grain prices, sky-rocketing prices in the Minneapolis Grain Exchange March wheat futures contract left CWB traders looking like rank amateurs as they were caught on the losing side in a classic market “squeeze”. The CWB was forced to buy their way out of their futures positions at record high prices.

“The CWB got caught too late in the month with too big a position,” said Otto. “When they finally got their futures position cleaned up, the cost to Western Canadian farmers was in the millions”.

The CWB has recently admitted it was the largest short in the market (they had sold wheat on futures contracts) and that the position is what caused the loss of millions (because they had to buy the contracts back at hugely inflated prices).

“No doubt about it, last year was bad with the reported loss of \$226 million through discretionary commodity trading and the \$89 million lost in Producer Pricing Options”, adds Doug McBain, WBGA vice president. “But let’s be clear, 2007-08 wasn’t the first year of avoidable losses at the CWB. It’s just that this year the Contingency Fund ended up in a deficit position, which of course got everyone’s attention.”

The CWB’s own annual reports over the past eight years show losses in the Producer Pricing Options and the Contingency Fund have been occurring for some time. The reports also show that in six out of eight years the CWB has taken money from the pool accounts to cover losses in the Contingency Fund that originated in the Producer Payment Options, even though the CWB has repeatedly told farmers that the pool accounts would not suffer because of the Producer Payment Options.

In the biggest transfer yet, during 2007-08 the CWB took a total of \$27.6 million from all the pool accounts to partially offset the ballooning deficit in the Contingency Fund.

In a recent conference call with the CWB and farm groups, Chief Operating Officer Ward Weisensel indicated that the CWB could not carry the full deficit on its books for fear that they would lose access to credit for day to day operations of the CWB.

“The reason the CWB took pool account money and put it into the Contingency Fund was because they had to,” said Doug McBain WBGA director. “Weisensel calls it prudent risk management for the Corporation, but it was not an option – the CWB had to do it. It had exceeded their credit limit and it still haunts the CWB’s credit access today. The CWB could not borrow enough money anywhere else so it took farmers’ pool money to cover CWB trading losses.”

According to McBain, CWB pool account participants are now the creditor of last resort for the CWB. “This loan is not interest-generating and non-demand with no repayment terms. The ‘customer’ is a Corporation with little means of income generation which has \$30 million debt to be repaid before pool account farmers see any return,” continued McBain. “Good luck finding a bank to make that loan.”

All farmers in Western Canada should be deeply concerned over this, says Otto. "On one hand, supporters of CWB pooling and the single desk should be concerned that their pool accounts have been short-changed in order to subsidize the Contingency Fund for years now. On the other hand, farmers looking to avoid pooling and the single desk should be concerned that the programs the CWB provides are not sustainable".

"Although we are encouraged by the recent request by Ag Minister Ritz for a complete audit by the Auditor General, publicly available information from the CWB is enough to show mismanagement of farmers' money in both the pool accounts and the non-pool accounts", continued Otto.

"If the audit by the Auditor General doesn't start for two years as suggested by news reports, that means we have at least two more years of potential losses due to mismanagement."

"We respectfully submit in the strongest possible terms to Minister Ritz and the Board of directors of the CWB that a full independent audit of CWB operations and hedging is undertaken to ensure the CWB has the appropriate knowledge and experience at a senior level. If losses of this size occurred in a private organization, heads would have rolled by now and new management, policies and protocols would be in place already" says Otto. "What makes the CWB so immune?"

Western Barley Growers Association is a strong voice for a vibrant, market responsive barley industry in western Canada.

For more information contact:

Brian Otto
President
Warner, AB
Cell: (403) 647-7661
botto@mrcable.ca

Tom Hewson
Vice President
Langbank, SK
Phone: (306) 538-4572
hewws@sasktel.net

Doug McBain
Director
Cremona, AB
Cell: (403) 816-0645
dmcbain@wbga.org

Doug Robertson
Alberta Vice President
Carstairs, AB
Phone: (403) 337-2077
dougar@telusplanet.net