



WESTERN BARLEY GROWERS ASSOCIATION
A strong voice for a vibrant, market responsive barley industry in western Canada

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Round Table on the Canadian Wheat Board
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Submission by Western Barley Growers Association

The Western Barley Growers Association (WBGA) wishes to thank Minister Strahl for this invitation to meet today. The WBGA would also like to reinforce that its members are committed to finding solutions that will lead to a choice market for western Canadian wheat and barley and a future that includes the CWB should they wish to participate. The rapidly changing circumstances in the production and marketing of cereal grains require a new environment in which producers can choose their buyers and as importantly a future where the grains value chain has the incentive to invest and innovate. The grain handling infrastructure in western Canada is modern and efficient and the companies are well positioned with domestic and international customers to provide new and innovative marketing and delivery options to producers in a truly commercial environment.

The WBGA believes that this meeting is a strong demonstration by the federal government of its intent to move forward with a choice market for wheat and barley expeditiously. Any delay in formalizing the strategy and approach to moving to a choice market will simply reinforce uncertainty in the market place delaying important decisions and investments that can truly impact the future success of the industry.

This paper will now move to the specific questions posed to the WBGA.

Objective #1

Develop a corporate structure that would allow the Canadian Wheat Board to operate effectively in an environment of marketing choice.

The most important aspect on the question of developing a corporate structure for the CWB from the WBGA's point of view is that the CWB **must** operate in a truly commercial system. The CWB, should they decide to participate, must earn customers business based on the value they bring to the marketplace as is the case in all other crops today except wheat and barley in western Canada. There are several models of commercial entities already established in the agricultural sector in Canada that could serve as models for the CWB. It should be up to the CWB to evaluate these options and ultimately develop the business model and operational strategies required to achieve their specific business objectives. A true commercial environment means a level playing field for all participants, where the business incentive is about creating new and better marketing strategies to earn a sellers and buyers business.

The WBGA looks forward to the opportunity to discuss new options with the meeting participants and has developed the following key criteria as musts in any corporate structure for the CWB:

1. The corporate structure must ensure a level playing field for existing and encourage new market entrants.
2. The corporate structure should be developed by the CWB based on their specific business objectives.
3. If a new CWB is formed and is fully commercialized and operates in a non-monopoly fashion, then elected directors should come from those that are stakeholders/share holders of the new entity. Appointed directors would be up to the new board and it would be recommended that some directors are chosen by the new board come from non-farmer base. This would bring a different view and knowledge that is needed to maintain good corporate governance.
4. Financial backing has to be open, and if farmer/producer investment is part of the new CWB it must be voluntary and allowing those the freedom to market their grains to whom they deem best.

Objective #2

Identify additional financial and/or marketing instruments that may be necessary for farmers or the Canadian Wheat Board in an environment of marketing choice.

The transition of western Canadian wheat and barley to choice marketing will provide a more enhanced market environment for all stakeholders. The transition must however be done in tandem with providing new “made in Canada” marketplace tools and risk management financial instruments.

The WBGA strongly believes that the introduction of an agricultural commodity clearinghouse is not only an important, but also a necessary component, of new industry infrastructure for commodity marketing. To address this need the Western Barley Growers Association has launched a project called AgClearing¹, through *Agriculture and Agri Food Canada's* Agricultural Policy Framework (APF).

A clearinghouse provides a secure infrastructure for cash commodity trading by utilizing central counterparty guarantor techniques which include contract registration, standardized contracts, margining, mark to market valuations and dispute resolution and arbitration services.

The concept of clearing the physical delivery of commodities is not new and works extremely well in other industry sectors and will be an important new financial and marketing instrument for agriculture.

It is important to note that the development of an agricultural commodity clearinghouse commenced prior to discussions regarding the potential of a choice market but, but with a choice market, this infrastructure is critical. An agricultural commodity clearinghouse is a private sector solution that will provide an enhanced business framework by removing commodity marketing risk, providing new mechanisms to secure inventory financing at lower costs, reduce the high cost of bonding and create a “made in Canada” solution for price discovery.

The WBGA would like to point out that an agricultural commodity clearinghouse has by its independent structure and operational process's demonstrated the ability to save hundreds of millions of dollars in other industry sectors. The same financial scope is possible in agriculture. A clearinghouse is needed today to facilitate the physical delivery of commodities whether it is flax, fresh produce, hay or major grains and oilseed crops or the livestock industry.

The movement to a choice market will create a broader but not unique need for a secure business framework for wheat and barley commodity marketing. AgClearing will meet that need and provide Canadian agriculture with an enhanced opportunity to facilitate both domestic and international trade. Importantly the consideration of the federal government to move to a choice market is consistent with the time frame for AgClearing's start-up of August 1st, 2007. The WBGA would be pleased to share the detailed features and benefits of the clearinghouse project at a time that is convenient for the Minister and other federal government elected and support staff.

(c) Develop the steps to implement the choice for farmers to market directly to any buyer or through the Canadian Wheat Board if they so wish.

Moving to a choice market in an orderly fashion is an important consideration for the WBGA. The WBGA believes there are several steps that would facilitate the transition quickly and in an orderly fashion starting in the 2006 / 2007 crop year including the following:

1. The issuance of no cost export licenses to producers in the designated area to allow western producers equality of marketing opportunities with our counter parts in eastern Canada and the lower mainland of British Columbia.
2. Placing a priority on passing of Bill 300 C to facilitate and encourage local value added in producer owned processing facilities.
3. Removal of the buy back clause starting in the 2006 / 2007 crop year there by granting any individual farmer the right to sell their grain to whom ever they choose in North America.

¹ For more information visit the AgClearing website at www.agclearing.ca

4. Facilitate and support the process to develop a cash commodity clearinghouse for agricultural commodities across Canada which will lead to new risk management strategies in any new CWB business model and other buyers and sellers of wheat and barley as well as other agricultural commodities.

Finally discussions need to occur with the broad cross section of the industry, utilizing and tapping into the collective knowledge of industry participants in moving forward on key transition issues. The WBGA believes strongly that time is of the essence in developing a comprehensive transition plan and that a minimum an objective of a full choice market by the 2007 / 2008 crop year should be the reasonable expected outcome.

Respectfully submitted by:

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