

## SHIPPING WHEAT FROM THUNDER BAY TO VANCOUVER

Sometime in the middle of March, trade chatter started about a shipment of wheat by the CWB – from a Thunder Bay terminal to a Vancouver terminal. Sources indicated that the CWB loaded “about 100 cars” of high quality spring wheat in Thunder Bay and shipped them west across the prairies to Vancouver to satisfy a sale to Japan.

This isn't the first time the CWB has shipped wheat from eastern terminals all the way across the prairies to the west coast. In 2004-05, the CWB shipped wheat from Churchill and Montreal, both to Vancouver. Explaining the situation then, the CWB stated:

Weisensel noted there have been significant transportation problems in the last couple of months, including mudslides, continuous rain and extreme cold weather, which have delayed grain movement and delivery. In order to ensure sales commitments were met, the CWB moved 280 cars of grain from other ports to the West Coast.

"This is the power the single-desk gives western Canadian farmers," Weisensel added, noting international customers have clearly identified the CWB's reliability as an important factor in making it a preferred wheat supplier around the world. "Prairie farmers achieve premiums based on this reputation, and in my opinion, maintaining our good standing is extremely important."

I certainly don't dispute trying to keep your reputation, but does it really make sense to ship grain sitting in eastern ports all the way across the country to do it?

First, it comes at a high cost. Rail freight from Thunder Bay to Vancouver isn't a normal “tariff item” but since grain freight rates are fundamentally determined by distance, there's a pretty good chance the freight bill was somewhere around double the rate from Saskatchewan to Vancouver – call it \$80 per tonne. Add to that the added costs of inward elevation and outward loading into railcars in Thunder Bay – call it \$13.00 per tonne. All tolled, the added cost could be close to \$100 per tonne.

Second, if you have to “pay up” to get the grain in position, it makes more sense to pay the extra cash to farmers – not CN and not grain companies for handling grain twice. The CWB may take the position that the high protein wheat it needed is not out in the country but have they tried everything to find it?

### What does this mean in the big picture?

In 2005, the CWB said that it shipped grain from eastern terminals to the west coast to protect its reputation. But it could still protect its reputation with buyers by paying farmers a premium to get

the grain. It might even improve their status among farmers if they did. But - through this exercise the CWB appears to prefer to manage its supply-chain challenges without upsetting the “equity cart”.

If a grain company finds itself short against a commitment, it improves its price to farmers, taking a loss if necessary. It may even buy from its competitors but usually that’s a last resort. Even in the rare situation where a grain company ships out-of-position grain to satisfy a sale, the company pays for its mistake – not farmers.

Last time that we were aware that the CWB shipped wheat cross-country (2005), members of the grain trade indicated to the CWB that high quality grain was still available on farms and that a financial incentive paid to farmers would work to find it and bring it in. It was suggested that the CWB tender to grain companies for this grain; the grain companies would bid on the tender on the basis of what they felt they would need to pay farmers to get the high quality grain.

The onus would be on the grain companies to go out and find it. If they misjudged and a greater premium was required, they would pay it (not the CWB, not farmers).

The pool account would still pay to solve the problem, but some farmers would get more than others. Perhaps that’s why the CWB didn’t do it – it’s not equitable.

The CWB seems to think it’s better to have the pool account pay something pushing \$1 million to the railroads and grain companies than paying premiums to farmers totalling potentially much less in order to accomplish the same thing.

All for the sake of maintaining its reputation.

<http://www.cwb.ca/public/en/newsroom/releases/2005/020105.jsp>

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This is one of a series of commentaries aimed at providing a different perspective on the CWB and its impacts on farm gate returns. Please forward this to anybody that you think would also appreciate it or you think should see it.

If you want the details behind the ideas in these commentaries, more information on these topics or you have ideas or questions on other topics, please drop me a line to [cwb@depape.ca](mailto:cwb@depape.ca) and just ask. If I can, I will dig and provide.