

INTRODUCTION

THE GLOBAL CONTEXT OF THE CANADIAN WHEAT BOARD

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Each generation has a responsibility to pass to the next the resources needed to meet the challenges of daily life. Farmers have a special awareness of this requirement for human survival. This understanding arises from their work with the productive natural resources of land, water and sunlight and the social/cultural resources of community and knowledge. In the early years of the twenty-first century, we are becoming increasingly conscious that we cannot take the sustainability of natural resources for granted. How the present generation treats the land, forest and wetlands will have lasting consequences. Being good stewards of the earth requires us both to learn how to provide an appropriate quality of life for ourselves and to pass that knowledge on to the next generation. Farmers tend to be intensely responsive when it comes to managing their farmland, but they do not often extend the principle of good stewardship to collective or institutional areas of their economy and lives. However, each generation also needs to make certain that subsequent generations know why farmers' struggle to maintain strong institutions, like the Canadian Wheat Board, is important. We, as editors of this book, take this as the starting point for our discussion on the essential role of the CWB for life and livelihood in the Prairies provinces and for Canadians generally. We are now in the third and fourth generations since the establishment of the CWB, and some of the rationale for the institution is being called into question. We take the current debate about the future composition and role of the CWB as an opportunity to inform ourselves, and future generations, about one of the most unique and valuable farm institutions in the world. In producing this book, we took Richard Gray's comment, in Chapter 4 of this book, seriously. He writes, "It's crucial, as we go through the next weeks, and months and years, that we actually get as much informa-

tion forward as we can, and pool our knowledge, because the stakes are extremely high.”

This introduction offers an account of the global context of grain production and the work of the CWB. I locate the founding of the CWB in the struggle by earlier Canadians to establish “the social contract” of the 1930s and 1940s. I then explain the Canadian government’s position on trade liberalization. I conclude with a discussion of three dominant features of today’s globalizing food system, arguing that the CWB is an essential countervailing institution if Canadian grain producers and their communities are to survive.

Keeping Pace with the Times

Some of the critics of the CWB suggest that the Board is not keeping pace with the changing times or that individual grain producers are in a better position to make the best decisions for their own farm. First, let us look at the claim and ways that times have changed. There are few who would debate that information, communication and transportation technologies have altered our sense of time and space. An individual may feel that he or she has sufficient informational resources to prosper in a market environment dominated by five grain companies. However, although individuals have access to the Internet, air-travel and advanced grain handling technologies, the major grain companies use even more advanced technologies to have a more sustained presence. That part has not changed. There are some strong similarities between the situation farmers encounter today and those of eighty years ago. As Ken Larsen explains in Chapter 2 of this book, in the 1920s and 1930s, near monopoly conditions existed in both transportation and grain marketing. The reckless capital expansion of the twenties gave way to the depression of the thirties. Confidence in the entire capitalist system hung by a thread until Keynesian economics and deficit spending of the war period offered a way out. Throughout the 1940s and 1950s, Canadians witnessed a continued expansion of the welfare state in the form of universal education and health care, housing programs and basic social safety-nets of unemployment insurance and old age pensions. The post-war years also brought the entrenchment of collective bargaining rights into our national culture and core values. Good paying unionized jobs fuelled a demand for consumer goods. Orderly marketing legislation for some farm products, including prairie grains, offered a certain degree of stability and security to farm communities. Fifty years later we can see the accumulated benefits to sectors of the farm economy (eggs, poultry, milk and some western

grains) that have enjoyed orderly marketing of their products, which stand in sharp contrast with sectors that have not (hogs, potatoes, fruit and vegetables). Canadian institutions, developed to provide greater social equity and growing out of a common historical experience, became part of the definition of Canadian society. Attacks on collective bargaining rights, socialized education, health care, our social safety nets or orderly marketing are interpreted as attempts to change the fundamental values of Canadian society. The erosion of one leads to erosion of all.

Some might also argue that the new global economic environment of increased international trading of goods and finance and growth in power of the multinationals corporations has reduced the power of national governments, and their agencies, to operate effectively. Before advancing the argument that protecting the economic interests of Canadian farm families and their communities during the process of globalization necessitates organizations such as the CWB, I want to draw a distinction between the situation of industrially developed nations like Canada and that of industrializing or least industrialized nations.

Many industrializing countries, because of their high national debts, are currently being forced to except the “conditionalities” of the World Bank or the International Monetary Fund. These conditionalities often take the form of a structural adjustment program and the Washington Consensus, which require cuts to government public spending, balanced budgets and lower corporate taxes while offering business concessions in accessing resources, deregulating the business environment, selling off public utilities, liberalizing commodity and financial markets and setting national currency values low to attract investment.¹ The term “liberalization of trade” is used to describe this “free market” approach to managing the economy. Debt ridden countries are forced to accept these conditions or be denied investment funds for infrastructure programs they desperately need to hold the country at a level of dignity, if only for a short time.

If these conditionalities sound familiar it is because they are. Other governments, including the current and recent Canadian governments, either for ideological reasons or pressure from the United States and transnational corporations (TNCs), have adopted policies that are consistent with this neo-liberal agenda. However, it is important to be clear on this point. The Canadian state was not and is not being forced to play a reduced role in the economy and fostering social stability. Increased control is being given to the TNCs by the Canadian state through supporting institutions like the World Trade Organization (WTO). And, as Philip McMichael² puts it, the WTO constitutes the global institutional foundation

for a corporate regime. This is not surprising given that a former Cargill senior vice-president was instrumental in developing the WTO framework. Manuel Moreira says that through agreeing to the conditions of WTO “the state changed from regulator to facilitator of the requirements of global capital.”³ At a time when the social fabric of the world appears to be coming apart due to growing inequality and corporate plunder, as it was in the 1930s, we need the strong countervailing forces of strong workers unions, enlightened national leaders, social safety nets and orderly marketing agencies, such as the CWB. Once again we are learning the wisdom that we can have a market economy but not a market society.

Dominant Features of Today’s Food System

The current period of agriculture is characterized by an increasing level of corporate concentration. Power is in the hands of fewer companies than ever before.⁴ While the amassing of wealth and productive resources and the exodus of people from the land is not new, there are three distinct features of the today’s food system that are relevant to our discussion about the CWB:

1. technological innovations being directed to facilitate corporate concentration;
2. the global marketing of the mass production of undifferentiated commodities; and
3. declining levels of trust in the food system.

The first distinct feature of today’s food system is the manner in which corporate domination is being reinforced by technological innovations. Communication and transportation technologies, along with countries’ infrastructure projects, are making possible a single global economy, especially for financial capital. Over \$1.5 trillion U.S. in financial market trades and transactions are made every day.⁵ Many national governments around the world, including the Canadian government, have passed legislation (be it free trade agreements or recognition of intellectual property rights — TRIPS) that has increased the economic and political influence of the transnational corporations. There are technological changes at the level of production that are also contributing directly to this growing concentration. For example, the development of genetically modified (GM) foods is influenced by relatively few very large companies, which in turn, because of the huge research and marketing expense involved helps to concentrate even more food economy resources in those same companies.

These companies are vertically integrated with branches of the parent company involved in other aspects of the food chain. The result is the formation of clusters of companies that control all stages of the food/commodity chain from the DNA through processing and transportation to the retailer. As Mary Hendrickson and William Heffernan say, vertical integration is a good example of how some very large companies can “create anti-competitive conditions.”⁶ Patent rights for genetic modifications have become the latest frontier for the TNC to extract value from agriculture and continue to transform the situation of farmers.

Farmers find that they are contributing labour but losing control of the product of their labour. According to John Ikerd, these economic relations convert farmers into little more than landlords, tractor drivers and hog-house janitors.⁷ Contractual integration is one of the main mechanisms for removing value and control from farmers. Generally speaking, today farming accounts for 10 percent of the value chain in the agri-food system. In contrast, input suppliers capture 25 percent of the value chain and, incredibly, 65 percent goes to the firms between farmers and consumers.⁸ If a company is in a position to require that farmers buy seeds and other inputs from them, as a condition of sale, then the freedom of farmers is substantially decreased.

A second distinct feature of today’s food system is the strength of the globalizing industrial food system in handling mass-produced, undifferentiated food for mass consumption. If grain buyers are able to reduce world sources of wheat to uniform equivalents (at least in the eyes of consumers), then they are able to source their commodities from around the world and force farmers to compete not only with their neighbours but also with farmers on the other side of the globe. By positioning themselves between farmers and consumers, firms in the food system are able to increase the distance between farmers and the ultimate consumer, thus reducing relationships and food system knowledge to the price of the final product. Gradually, food supplies become decreasingly controlled by a society’s cultural and nutritional needs but rather food becomes a “tenuous component of corporate sourcing strategies.”⁹ Such a food system rewards capital for being nomadic. John Ikerd, talking about the situation of American farmers said:

Multinational business corporations have no sentimental ties to family, community, or even to any given nation, because they are not real people and their stockholders may be located anywhere on the globe. They will simply move their agricultural operations,

including contractual operations, to wherever on the globe they can make the most money.... So what will be the real cost of globalization to American farmers? Perhaps the cost will be the lost opportunity for farming in America, at least farming in the sense that we have known farming in the past.¹⁰

The current debate over the future of the CWB is a defining moment in our country's history and will strongly influence the characteristics of farming, farmers and their communities in the future.

The international farm crisis of the last decade is in large part the result of the decline in real agriculture product prices, particularly in the basic commodities, including grains. Frederick Buttel tells us that institutional pressures placed on farmers by the agents of the TNCs, such as the WTO, to access mass supplies of undifferentiated food provisions have impacted disproportionately on basic commodity producers.¹¹ As an alternative to selling undifferentiated commodities to wholesalers and processors in an era of agribusiness TNCs, one option often suggested involves individual farmers finding a niche crop. Not being able to handle diversity, for example in the form of "identity preserved" varieties or grades, is one of the weaknesses of these mega companies. To capture added value, farmers are told to start their own processing business or sell directly through farmers markets or some other alternative marketing strategy. Or as Ken Larsen says in Chapter 2, other farmers may resign themselves to the loss of mass agricultural commodities to corporate agribusiness and seek out the best "giant" to form relations with. Each solution has merit for individual farmers, particularly if they enjoy diversifying their business and working with the public or have the skills to negotiate within the unequal power relations with a giant. However, the disposition and skill set required for each of these options are not the same as those that can see valued traits in a new-born calf or understand when and how to work the land in the spring. In addition, all of these options become less lucrative once others recognize the possibilities and begin replicating or improving the original initiative. In other words, individual approaches cannot offer any long-term stability to farming communities.

The third and final distinct feature of today's food system is declining trust. Consumers are growing increasingly cynical of large firms, recognizing that they are primarily focused on their bottom line. Consumers are reacting to concerns about the social and environmental problems created by global food firms sourcing their raw products where the sole

criteria is the cheapest cost regardless of the problems created in the long term. A growing backlash to the questionable practices of some TNCs is leading some consumers to look for more information about the products, including ecological production practices and working conditions of workers in every stage of production. Sometimes this information takes the form of fair trade or no-sweat labels. In food, increasingly consumers are looking for organic certification or local or ingredient labelling. Loss of confidence is an especially serious problem, not surprisingly, when there is little direct contact between food producers and consumers.

Safety and security are related to trust. Food product quality and safety are important predictors of consumer preferences, more so than with other commodities. For trust to develop between producers and consumers, a sense of responsibility and community, at some level, must be present. Producers must feel a responsibility to produce healthy, nutritious food that will be eaten by people they “know,” even if indirectly through the open flow of information from institutions like the CWB. Consumers feel a reciprocal responsibility towards producers to pay a fair price for the farmers’ labour and stewardship of the land. Trust can only develop in open social relationships. A greater sense of connectedness leads to a greater sense of trust. Hendricken and Heffernan say that systems of trust “are not based on universalizing tendencies.”¹² Systems of trust are formed over long periods of time and lack the immediate returns to satisfy shareholders. Trust takes a long time to create and can be lost easily.

The CWB and Today’s Food System

We can see from the above discussion that the CWB is well situated to assist grain farmers in coping with the three distinct features of today’s food system. First, in those cases where technological innovation may be used to add profits and power to TNCs while weakening the farmers’ position, the CWB is a barrier to complete vertical integration within the Canadian grain sector. The CWB mitigates the negative impacts of new technologies by making it impossible for TNCs to completely control all components of a food product from seed to supermarket.

Second, while grain is sometimes seen as an undifferentiated commodity, the quality assurances and marketing coordination provided by the CWB offers costumers an infrastructure niche that non-cooperative systems cannot. The services of the CWB are an essential part of what makes Canadian grains unique. The CWB has taken the task of providing stability to farmers head on by dealing with a basic agricultural commodity and providing single-desk selling, pooling of prices, equitable delivery

opportunity and assured payments to all producers. This cooperative approach has repeatedly provided farmers, collectively, with the highest possible returns for their crops and a consistently high quality product to consumers. This is deceptively simple. The CWB provides an institutional infrastructure through which producers market their grain. As an approach to marketing, the CWB is unmatched by any institution, public or private, in the world, even after seventy years of successful operation. It has provided the framework for the formation and continuation of cooperative relations that are the backbone of western communities. Based on personal observations and research on the levels of cooperation in groups of producers who do not have orderly marketing frameworks compared to those found on the Canadian Prairies, I suggest that loss of the single-desk selling power of the CWB will transform the cooperative character of the Prairies. Rivalry for shrinking profits diminishes community cohesion as cooperative traditions are replaced by what Cameron Harder calls “intense, even ‘cannibalistic’ competition.”¹³

Third, as TNCs work to homogenize the food found in stores, the identity and quality preservation and brand labels will become even more valued by consumers and a part of the process of building trust. The CWB has been developing trusting relationships with farmers and with customers for over a half century. This trust is a form of social capital that provides the foundation for the future.

Introduction to the Chapters

The first eight chapters of this book are based on presentations made at a symposium organized by the National Farmers Union in Regina, Saskatchewan, February 24 and 25, 2006. Chapter 9 and the Appendix have been added to provide additional details. All of the chapters describe the ways the CWB has assisted grain producers in dealing with the emerging features of the global food system.

Adrian Measner starts us off by offering a broad overview of the national and international context within which grain producers and the CWB are now operating. Measner stresses that the number one problem is market concentration. The concentration of the flow of 80 percent of the world’s commercial grain through five companies has implications at the levels of country and terminal elevators, transportation and marketing. While noting the many challenges farmers face — what he labels “competitive disadvantages” — Measner demonstrates that a single-desk selling system offers a number of resources that can mitigate those challenges. These resources include extracting market premiums and maximization

of farm revenues; discipline marketing by moving optimum volumes at optimum prices; quality control and food safety by providing traceability, focused market development, operational effectiveness and risk management. Measner makes the point that without the single-desk selling system none of these resources would exist. The essential principle and role of single-desk selling is a theme repeated by the authors in this volume.

Ken Larsen, in Chapter 2, locates the origins of today's global grain trade in the events and grain merchants of the 1800s. As early as 1870 a global marketplace was connected using telegraph communication technologies. Well-known grain companies (Cargill, Louis Dreyfuss) also became significant players during these years. It took great determination and leadership on the part of Canadian farmers to create a cooperative institution that could contend with the concentrated power of the global grain traders. Larsen recounts a famous saying by Ed Partridge, a Saskatchewan farm leader from the early 1900s: "Giants may compete with giants, pygmies with pygmies. But pygmies with giants? Never." Larsen maintains that this principle is as pertinent today as in the past. Larsen reviews the struggle for security by previous generations of farmers, demonstrating the correlation between price stability and successful cooperative action. The longest period of stability for grain farmers was between the implementation of the CWB in the 1940s and the end of the Crow's Nest Pass freight rate agreement in the early 1990s. A discussion of the origins of the anti-CWB organizations and its connection to the current Conservative federal government rounds out the chapter.

Farm history does not often provide timely large-scale cohort comparisons. However, the case of the Ontario Wheat Producers Marketing Board (OWPMB) provides an example of reverting from a single-desk selling system to an open market, where the former single-desk agency becomes just another marketer. Stewart Wells, in Chapter 3, offers a comparison between the OWPMB and the CWB. He reveals that in the case of the Ontario, farmers have seen the price of their grain decline by 20 percent, while the volume handled by the OWPMB plummeted by 80 percent when Ontario farmers lost single-desk selling in that province. Wells also draws some interesting lessons from Maritime provinces potato farmers' experiences of open marketing, where smaller scale farmers have limited access to markets.

In Chapter 4, economist Richard Gray examines in financial terms some of the cost and benefits of the CWB. His research identifies benefits to buyers as well as producers resulting from a single-desk selling system. Gray writes, "there are some customers that will pay for reliable delivery

and consistent product, which the single desk can give them over time.” In other words, the CWB represents an infrastructure that developed because of a history of trust and high quality and builds on the cooperation and reciprocity amongst western Canadian farmers and their institution. No other group of grain producers in the world has a comparable marketing instrument. Gray’s analysis of benefits is not confined to price but includes farmers’ access to information, the CWB’s role in effective transportation and policy leadership. According to Gray, these dimensions of “value” will gradually disappear if an open market system is implemented.

The CWB’s role in ensuring equitable access for farmers to the Canadian transportation system is the focus of Chapter 5, Ian McCreary’s chapter. He maintains that one of the “most important functions... the CWB plays... as the producers’ agent in marketplace” is to realize fair freight rates and quality and timely service. The Board’s distribution of access is based on who producers want to deal with and not the market power of players in the grain or transportation system. McCreary points out that much of the Board’s commercial leverage with the railways comes from the fact that the Board does not have any physical ties to one carrier and is, therefore, not bullied by threats of punitive measures from the railways. McCreary concludes with a list of ways the CWB has made gains on farmers’ behalf in a very difficult market environment.

Over the past seventy years, the CWB has become woven into the institutional and economic fabric of prairie life. In Chapter 6 Donna Welke highlights the relationship between the work of the Canadian Grain Commission (CGC) and the Canadian Wheat Board. Canadian grain is known throughout the world for its consistently high quality and reliability. This is in part the consequence of a hundred years of community capital creation by the farmers and the many institutions in the Canadian grain system. Welke makes it clear that the right of producers to ship a rail car of grain was established through farmers’ struggles over the past hundred years, and producer cars continue to be “a safety valve for a competitive safeguard for producers.” Welke points out that western farmers can ship grain because the CWB has provided the customers at the grain’s destination, and the CGC provides assurance to the customers the grain is consistent with the contract. Welke concludes with the question: In the absence of the CWB and CGC, what might be the bases of trust and confidence between farmers and customers?

Many communities across the Prairie provinces have struggled to survive during the period of economic “rationalization” by governments and companies. This struggle has been made worst by the respective

Wheat Pools engaging in similar practices of cost cutting and centralizing of services that one finds in the corporate sectors. In Chapter 7, Glenn Harris details how the people of one community, Landis, Saskatchewan, have been able to respond to the Saskatchewan Wheat Pool's closure, in 2000, of their grain handling facility. Harris explains the role of the CWB in helping the Landis Producer Co-operative Ltd. (LPC) convert the Pool property into a viable business. However, he acknowledges that if the CWB is weakened in relation to its single-desk powers and role in transportation, the operating life of groups like the LPC will be short, regardless of their value to the community.

The effects of the CWB on farmers' capacities to work together can be seen, implicitly and explicitly, in Chapter 8, by Bob Lobdell. From the perspective of the West Central Road and Rail (WCRR) Lobdell describes the role of the CWB in transportation. In his experience, "the elimination of the CWB's role in transportation will forever change the competitive landscape of the prairies, and there will be no getting it back..., futures will be jeopardized if we don't stop that from happening."

As noted earlier, Chapter 9 and the Appendix were not part of the NFU symposium out of which this book emerged. After the symposium, the NFU was able to more fully identify the economic cost of the loss of the CWB. Terry Pugh presents these findings in Chapter 9. Pugh notes that as much as \$800 million per year would not find its way to farmers' pockets if not for the CWB. He goes on to identify seven advantages offered by the CWB as a single-desk selling system. In October 2006, farm organizations representing farmers from Manitoba, Saskatchewan, Alberta and the Peace River district came together to form the Prairie Producer Coalition. The coalition examined the potential impact on farmers' incomes resulting from the loss of the CWB single desk. The coalition report provided background information that allowed farmers to ask themselves a number of key questions on how changes to the CWB would impact them directly at the farm gate. As a way to encourage everyone to get involved in the debate, the Appendix contains the questions that the Coalition urged farmers and other Canadians to ask themselves.

One final comment by way of introduction: this book, like the symposium from which it is drawn, does not present a debate about the advantages and disadvantages of the CWB. Rather, this book makes the case for the CWB's economic, social and political value. Some of the language used by the contributors is technical; a careful read should make the issues and our argument clear. The background information about the global agricultural context, and the operational mechanism and role

played by the CWB presented in what follows can lead to no other conclusion: without the CWB Canadian farmers and Canadian food consumers will be worse off. Now let us turn to the detailed accounts of why farmers do, and why all Canadians should, support the CWB.

Notes

1. Gordon Laxer provides a brief but clear description of conditionalities, globalization and development (see Gordon Laxer (2001) "Inequality Among Nations: Perspectives on Development," in Robert Brym (ed.) *New Society: Sociology for the 21st Century* (third edition), Toronto: Harcourt Canada Ltd.). For a more extensive but highly readable description of the dynamics of economic globalization see Wayne Ellwood (2006) *The No Nonsense Guide to Globalization* (second edition), Toronto: Between the Lines.
2. P. McMichael, (2000) "The Power Of Food," *Agriculture and Human Values* 17 (1).
3. Manuel Belo Moreira, (2004) "Agriculture and Food in the Globalization Age," *International Journal of Sociology of Agriculture and Food* 12 (1), page 18.
4. Fred Magdoff, John Bellamy Foster, and Frederick Buttel ((2000) "An overview," in Fred Magdoff, John Bellamy Foster and Frederick Buttel (eds.) *Hungry For Profit: The Agribusiness Threat to Farmers, Food and the Environment*, New York: Monthly Review Press), and Adam Measner (Chapter 3 in this book) make this case very well.
5. Manuel Castells (2004) "Global Informational Capitalism," in David Held and Anthony McGrew (eds.) *The Global Transformations Reader: An Introduction to the Globalization Debate* (second edition), Cambridge: Polity Press.
6. M. Hendrickson and W. Heffernan (2002) "Opening Spaces through Relocalization: Locating Potential Resistance in the Weaknesses of the Global Food System," *Sociologia Ruralis* 42 (4), page 19.
7. J. Ikerd (2004) "The Real Costs of Globalization to Farmers, Consumers, and Our Food System," at <<http://www.sfa-mn.org/publications/2003/there2f.pdf>> (accessed February 2, 2007).
8. These percentages are for the American food system in the late 1990s, from R. Lewontin (2000) "The Maturing of Capitalist Agriculture: Farmer as Proletarian," in F. Magdoff et al. (eds.) *Hungry For Profit: The Agribusiness Threat to Farmers, Food, and the Environment*, New York: Monthly Review Press, page 95.
9. P. McMichael (2002), page 23.
10. John Ikerd (2004), page 7.
11. F.H. Buttel (2001) "Some Reflections on Late Twentieth Century Agrarian Political Economy," *Sociologia Ruralis* 41 (2), page 177.
12. M. Hendrickson and W. Heffernan (2002), page 363.
13. C. Harder (2001) "Overcoming Cultural and Spiritual Obstacles to Rural Revitalization," in R. Epp and D. Whitson (eds.) *Writing Off the Rural West: Globalization, Government, and Transformation of Rural Communities*, Edmonton: University of Alberta Press, page 227.