

FOCUS ON CBA IN WINNIPEG
The Wheat Board Wars rage on

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The program title "Wheat Board Wars" conveys some sense of the embattled environment in which the Canadian Wheat Board operates.

The stakes are high. Measured by sales, the CWB is one of the biggest "state trading enterprises" in the world.

Canada is a leading exporter of wheat and barley, and by federal law, only the CWB can act as the wholesaler for western Canadian producers.

Supporters of the CWB contend that its marketing muscle and overall expertise serves farmers well. A smaller producer with little marketing clout can still thrive.

The CWB also promotes cash flow and financial stability. Each producer is paid the same amount per bushel of the same product. The CWB pays producers an initial amount each year, based on the resale price the CWB expects to eventually achieve.

Further payments to producers may follow if actual prices prove to be good. If prices turn out much worse than the CWB originally projected, the CWB will run a deficit, but the government of Canada will absorb it, not producers.

Supporters of the CWB insist that it does no harm to producers in other countries. The CWB's fundamental objective is to maximize returns for farmers, so it does its best to demand good prices. That helps sellers everywhere.

Yet some within Canada, including the government of Alberta, oppose the current CWB system.

Critics variously claim that participation should be voluntary, that the CWB wastes money on administration and self-promotion, and that left to their own devices, producers would find new and cost-effective ways to address issues such as market uncertainty.

Internationally, the CWB has been the object of U.S. trade hostilities for many years.

Some farmers in places like North Dakota contend that the CWB has sold wheat in the United States at unreasonably low prices. Others seem to have an emotional or ideological aversion to CWB; they seem

to presume in light of its connections with the state, the CWB must inevitably be acting in ways that are secret and nefarious.

The United States government has brought almost a dozen trade law complaints against the CWB over the years.

Earlier this year, a WTO dispute panel - in effect, a global trade court of first instance - found that the core CWB system is lawful under existing trade agreements, (the United States was, however, successful in challenging some secondary aspects of Canada's grain trading measures).

At world trade talks, the United States has aggressively sought to change those agreements so as to eliminate or hinder the CWB. It found allies, including the European Union.

It appears that the long U.S. legal and political siege has finally succeeded in breaching its walls.

On July 30, the parties to the World Trade Organization (WTO) issued a statement that addressed, among other issues, the direction of further negotiations on agriculture. They affirmed their commitment to reducing government subsidies for agriculture, reducing barriers to imports, and to outright prohibiting some kinds of export subsidies.

This is all good news. Agricultural production and trade throughout the world is severely damaged by the current level of trade barriers.

But the WTO parties also agreed to aim at the eliminating of "trade distorting practices with to exporting STEs, including eliminating export subsidies provided to or by them, government financing, and the underwriting of losses. The issue of the future use of monopoly powers will be subject to further negotiations."

Canadian negotiators insist that they had no choice but to make some concessions on the Wheat Board. They argue that Canada could not, without allies, hold up the overall progress of negotiations over this issue.

Some may contend, however, that Canada should have been more resolute, and insisted on more definite and satisfactory agreement on overall agricultural liberalization before making such substantial and definite concessions on the CWB. So what next for the CWB? A number of strategies are possible.

One is to try to maintain as much of the existing system as possible. Canadian negotiators would try to hold the line against further concession in this round.

When it is over, the government of Canada would see what activities of the CWB are no longer permitted, and decide which aspects can and should be replaced by other governmental measures.

For example, could some other kind of subsidy, still permissible by WTO law replace the government underwriting of losses under the current CWB system?

Another alternative would be to see whether and how the CWB can thrive without monopoly powers, or even as a privatized corporation or co-operative. Ideas that could be considered might include:

- Letting producers outside of western Canada, such as those in Ontario or even in the United States, have the option of using the services of the CWB.

As producers in some western provinces choose to "opt out," the market power of the CWB might be sustained by replacing them with producers from elsewhere.

The CWB might choose to use long-term contracts with producers to ensure a measure of stability in its membership;

- Developing the capacities of the CWB so that it will attract voluntary participation:

For example, "traceability" is becoming a major issue with food products. Regulators or consumers may want to know where the ingredients in a consumer product originate from so they can decide whether or not they wish to consume genetically modified food.

If the CWB can be a leader in creating and implementing traceability techniques, producers may be eager to join in with its activities. The CWB might also become a leader in the creation, testing or marketing of some kinds of genetically modified organisms (GMO's).

If this round of WTO negotiations does indeed produce substantial reductions in worldwide trade barriers and subsidies, perhaps a creatively refashioned CWB will succeed better than ever.

It may be argued, however, that Canada caved far too easily and too soon on the CWB, and should have at least extracted more definite commitments to overall liberalization before making anything approaching the major concessions it has already yielded.

Bryan P. Schwartz was a speaker at "The Wheat Board Wars," CBA meeting, Tuesday, Aug. 17.