

THE CHANGING ROLE OF THE CANADIAN WHEAT BOARD

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What does the Canadian Wheat Board do?

Core function of the CWB

- Monopoly buyer/seller of milling quality wheat, durum and barley (feed and malt) since 1943.
 - Sales are made directly or through accredited exporters.
 - Operates Pool Pricing System
 - Canadian Government guarantees:
 - All borrowing needed to buy/sell grain
 - Borrowing for initial payments to growers
 - Margin calls on futures hedging positions

Ancillary functions of the CWB

- Allocates rail cars to elevators.
 - Conducts tendering system for elevation system.
 - A committee member influencing:
 - Grain quality regulations
 - Variety releases
 - Export promotion
 - Indirectly involved in export permits.
 - NOTE: The CWB does not own assets, so it relies on Canadian Government to guarantee funding.
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Current Proposal

Marketing Freedom for Grain Farmers Act

- CWB is not being eliminated, but its role is changing!
- Converts CWB to **voluntary** organization that maintains pooled marketing activities.
- The MF act immediately allows farmers and grain companies to forward contract wheat, durum and barley for **delivery after August 1, 2012** (just like canola, pulses, oats, flax, ...).

Current Proposal

Marketing Freedom for Grain Farmers Act

- Canadian Government will continue to guarantee:
 - Initial farmer payments and borrowing for CWB operations.
 - Assist with funding for reorganization costs.
 - Initiate a voluntary check-off for producer support of research and market development.
- Allows new streamlined CWB Board of Directors five year transition time to develop a strategic plan for privatization.

Current Proposal

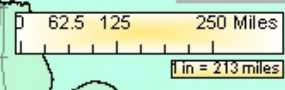
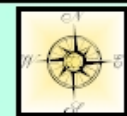
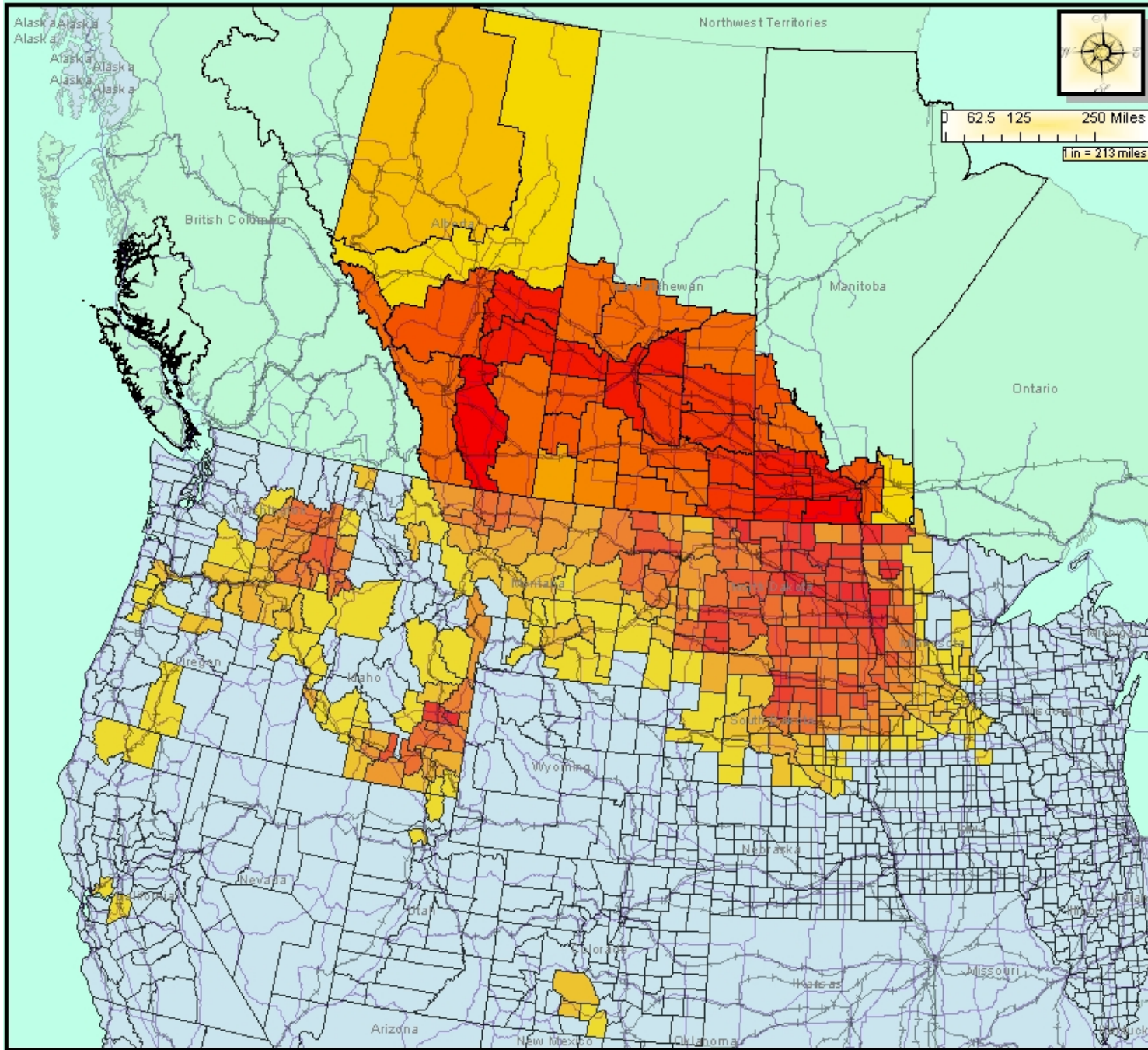
Marketing Freedom for Grain Farmers Act

- Rail Transportation:
 - “Producer Cars” will continue to be allocated by Canadian Grain Commission.
 - Not clear if regulated rail rates will be adjusted.
 - Un-regulated rail rates will likely adjust over time.
- Grain Quality Assurance & Variety Registration:
 - Canadian Grain Commission will continue to monitor quality assurance.
 - Canadian Food Inspection Agency will continue to register varieties.

Marketing Freedom for Grain Farmers Act

- Many unanswered questions!
 - How will cross-boarder grain flows be regulated?
 - Can U.S. wheat and barley varieties be sold through Canadian buyers and export channels?
 - How will Canadian cropping mix (acreage) change?
 - More wheat and durum; less canola?
 - Small market crops are concerned about maintaining acreage base.
 - ICE Canada (Winnipeg Exchange) has initiated Canadian spring wheat and durum futures contracts, which began trading on Jan. 23, 2012.

What are the possible
implications for U.S. farmers?



Legend

- +— Railroad
- Roads

Spring Wheat Canada (06 - 10)

Density

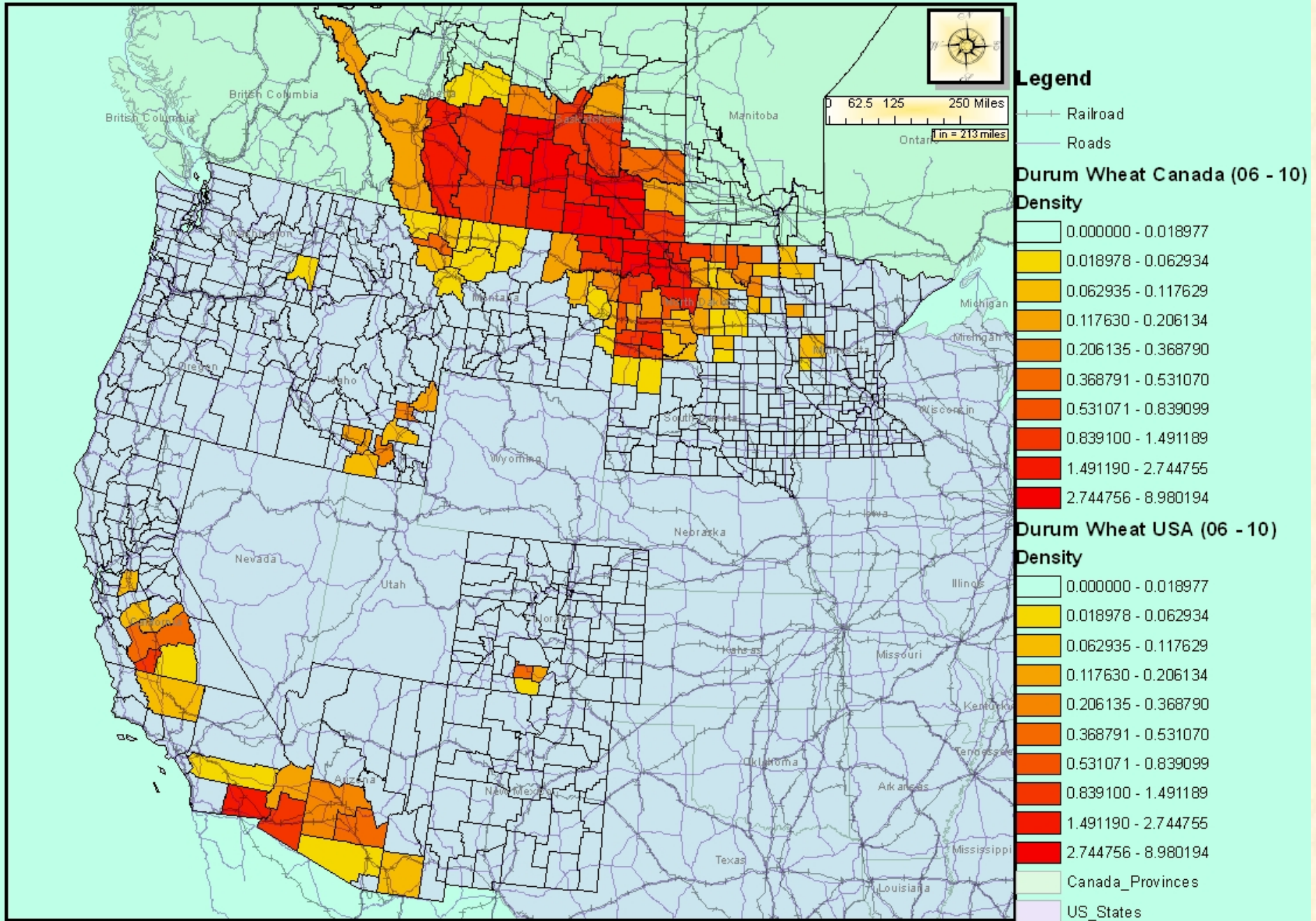
- 0.00 - 0.09
- 0.10 - 0.32
- 0.33 - 0.63
- 0.64 - 1.01
- 1.02 - 1.58
- 1.59 - 2.50
- 2.51 - 3.63
- 3.64 - 4.98
- 4.99 - 7.24
- 7.25 - 12.13

Spring Wheat USA (06 - 10)

Density

- 0.00 - 0.09
- 0.10 - 0.32
- 0.33 - 0.63
- 0.64 - 1.01
- 1.02 - 1.58
- 1.59 - 2.50
- 2.51 - 3.63
- 3.64 - 4.98
- 4.99 - 7.24
- 7.25 - 12.13

- Canada_Provinces
- US_States



Initial findings from research
conducted by Dr. William Wilson,
NDSU Distinguished Professor

What will the future bring?

- Current cost relationships favor U.S. handling and logistical system.
 - Major difference is in cleaning charges and local/export elevator charges.
 - Differences in rail charges vary depending upon delivery point
- How long will it take for the costs in the two systems to converge?
 - Rail rates
 - Elevator charges
 - Storage charges

What will the future bring?

- Will Canadian contracts require Canadian delivery locations?
- Will grain grades, standards, and varieties harmonize (country of origin identification)?
- Will U.S. grain companies contract in Canada?
- Will Canadian companies contract in U.S.?
 - Potential feed barley and feed wheat markets.

Major Canadian grain handling companies

- Viterra
 - Created by merger of Sask. Wheat Pool and Agricore United in 2007; purchased Australian ABB Grain in 2009.
 - Richardson International
 - Largest privately owned agri-business in Canada.
 - Cargill – will introduce a pooled price contract.
 - Bunge
 - CHS has just opened office in Winnipeg and hired former CWB trader.
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What will the future bring?

- How will ICE Canada futures contracts impact price transparency for spring wheat and durum, and trading on MGEX?
- Will this increase the flow and timeliness of production and quality information from Canada?
- Others!

QUESTIONS & COMMENTS?

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