Code for disaster, part two.

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Speaking at last week's Canadian Federation of Agriculture AGM, Agriculture Minister Chuck Strahl continued to defend Harper's "dual desk" agenda for the Canadian Wheat Board.

If implemented, this will take $30 to $45 a tonne out of the pockets of Canadian wheat and barley producers - $10 to $15 a tonne in lost price premiums and $20 to $30 a tonne in higher handling and transportation costs. This would destroy the Prairie grain economy.

The CWB is established by an Act of Parliament, and in a minority government, any changes will require the support of other political parties.

It's time for politicians to stand up in the House and tell Harper they will not support changes to the marketing system for export wheat and barley that are not democratically determined by producers.

If producers wanted to change the central selling authority of the CWB, all they need do is elect directors who share this view. In every election since 1998, when the Board came under producer control, farmers have returned a majority of directors who support single desk selling. Support for the CWB consistently averages more than 73 percent of producers.

The CWB already offers producers a number of flexible pricing options. Producers can choose to exit the price pool while still allowing the CWB to sell the grain and maintain a single sales desk, or they can fix a price and lock in a basis at any time during the crop year. Despite these options, producers have overwhelmingly (99.2 percent) chosen to stay with price pooling.

More than a dozen studies since 1985 document that premium export prices received by western Canadian wheat and barley growers are a direct result of the CWB's single desk sales system. Canadian agricultural economists Richard Grey and Harley Furtan note "the loss of the CWB single desk status will result in a cascade of events that will fundamentally alter the economics of grain production in western Canada."

First to go will be the price premiums gained on many export markets, reducing farm gate returns by an estimated $10 to $15 a tonne.

There are a number of reasons for this.

The CWB markets consistently good grain in large volumes and is respected and trusted by grain buying agencies around the world. By regulating consistency in grading and dockage and by organized delivery processes, the CWB protects grain growers from over delivery, achieving price premiums that could not be realized in an open system.

The CWB is the sole agent negotiating with customers who prefer high quality Canadian wheat and barley. Without exclusive selling rights, sellers would compete with one another to make export sales, driving down the price of export wheat and barley and with it, returns to western Canada's farmers.

Monopoly selling also allows CWB to practice market differentiation, pricing grain at port and capturing for growers the highest profits attainable from each market. In a competitive system, f.o.b. pricing would mean the weakest market would set the price for all markets, and grower returns would suffer.

Being a single desk seller, the CWB can invest in long term market development of a particular customer, knowing that future benefits will be realized by Canada producers. In an open market system, such investment would make no sense because any benefits could be easily captured by the competition.

In addition to achieving higher prices, the CWB increases returns to producers by reducing grain handling and transportation costs. Again, there are several reasons for this.

The CWB does not own grain-handling facilities but instead relies on agents to procure grain. Removing central desk authority would put the CWB in competition with multinational grain companies who also act as agents for Canadian wheat and barley.

Why should the multinationals handle CWB grain at competitive rates? Their interests would lie in circumventing CWB sales, since the less board grain that reaches port, the more buyers will have to turn to private market sales to source high quality export wheat and barley.

The industry would soon be dominated by multinationals, and Canadian grain companies and inland producer associations would be reduced to a much smaller presence in the market.

Large grain companies would have an economic incentive to strategically limit port capacity to boost margins, and excess capacity would erode margins at inland positions.

Price transparency would become a major problem for farmers. The grain sector is highly concentrated. Without a sizeable domestic market, it is unlikely a viable commodity futures market would emerge. Firms would contract directly with producers and little basis level information would be available.

Presently, the CWB is able to leverage its significant volume to keep rail costs low. Without the board, a market based system for car allocation would inevitably raise transportation costs.

In North Dakota and Montana, a market based allocation system has resulted in freight rates that are nearly double those in Canada. There is no reason to think that the same would not occur here, reducing farm gate returns by $20 to $30 per tonne.

Unquestionably, the loss of the single desk selling authority of the wheat board would mean its collapse. As Justice Muldoon concluded in a 1996 Charter case, "the wheat board would not be viable in a dual market."

If producers were able to enter and exit pools whenever spot prices appeared strong, the value of the pool would drop, making it unattractive to producers. Under such circumstances, the price pooling mechanism could not survive.

That would mean the end of the CWB, and with it the economic future of Prairie communities.

It's time for Canadian politicians of all stripes to stand up in the House and tell Stephen Harper to keep his mitts off the CWB.

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