

# GrainMatters



April/May 2011

A bi-monthly publication from the Canadian Wheat Board

[www.cwb.ca](http://www.cwb.ca)



## Inside this issue:

New at [cwb.ca](http://cwb.ca) ..... 2

Barley production tips ..... 3

Investing in lakers ..... 4-5

Destination: Ecuador ..... 6

PPO portfolio ..... 7

## Higher grain prices are good for everyone



**Allen Oberg**  
Chair, CWB  
board of directors

The issue of food and beer prices hit the media in the last few months. Reporters rushed to grocery stores and pubs to interview worried consumers about rising costs. The appeal of this story is obvious: everyone eats, many drink beer – this affects us all.

Fair enough, but the issue is rarely properly examined. Few reporters have paused to consider that higher prices for major Canadian exports might actually be a GOOD thing. When the value of wheat and barley is high, these exports generate more revenue. This is good for our economy and, by extension, for all Canadians.

It is difficult to imagine residents of Florida upset about high orange prices, or Colombians lamenting the rising cost of coffee. But, in Canada, high values for our own major agricultural exports are invariably greeted with gloom.

The actual effect of commodity prices on Canadian food deserves more analysis. The assumption is a one-to-one relationship between wheat and bread prices and between malting barley and beer prices. As farmers, we know this isn't true.

While wheat prices have risen about 60 per cent on the world market since last spring, the North American food price index went up only between one and two per cent (although it looks set to increase more). But these price increases are not solely – or even mainly – due to the extra cost of the raw foodstuffs. In fact, there is a strong argument to be made that, within North America, the cost of food and beer has a closer relationship to fuel prices than to agricultural commodity prices.

Fuel, processing, packaging, overhead, additives and preservatives, labour costs and profit margins of various players in the supply chain all contribute to rising costs. These factors make up a much larger proportion of most products' cost than the price of grain.

Let's take beer. One bushel of barley can make about 480 bottles of typical Canadian beer. At current domestic values for malting barley, that works out to about two cents worth of barley in each bottle. It is worth noting that at last year's prices, there was about one cent worth of barley in the bottle. So, while the return to farmers and the Canadian export economy has risen by 50 per cent, there has been only a one-cent increase in the simple value of barley in each bottle of Canadian beer.

Looking at bread, a bushel of wheat can make 67 standard loaves. At the current domestic value, there is 16 cents worth of wheat in each loaf. At last year's values, there was about 10 cents worth of wheat in the loaf. This is a 60-per-cent increase in returns for grain exports, against a six-cent increase in the commodity value per loaf sold in Canada.

The bottom line is that high grain prices are a net positive for Canada. They provide a reasonable return for producers (provided ongoing increases to input costs do not wipe out the gains). Higher prices make it worthwhile for growers to keep producing food and to produce as much as they can – contributing to world food security.

This is crucial for the developing world. In countries battling widespread poverty, food costs represent a much larger share of income. Where food is consumed in a less-processed form, commodity-price increases have a greater impact. As human beings and responsible societies, we must take these issues seriously.

But the solutions to poverty, oppression and inequity are complex. For agriculture, the core issue is this: how do we keep growing enough food to feed an increasingly populous world? That conversation is not about price. It's about ways to help impoverished people access food and afford to eat. Depressing prices discourages increased production, even among their own domestic producers.

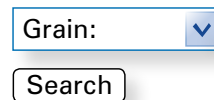
The global battle against poverty is extremely important, but it can't be solved by artificially capping commodity prices, which essentially amounts to forcing farmers to subsidize global food aid. These issues are the responsibility of everyone.

## See what's happening at cwb.ca



### Home-page tabs

The enhanced homepage features a new row of tabs for easy access to prices, videos, news and tools. Use this row of blue tabs to define the look of the cwb.ca homepage. The tabs default to *News and announcements*, but you can also select *PPO price snapshot* (to see full pricing information), *Videos*, and *Tools and calculators*.



### GDC lookup tool

A new GDC look-up tool makes all GDCs readily searchable by class, and if applicable, by company or station. Simply select the class of grain from a drop-down list, then click *Select* to view all contracts. Use the *Company* or *Station* lists to narrow your search. Try out the tool at [www.cwb.ca/gdc](http://www.cwb.ca/gdc).



### Mobile

Take cwb.ca with you when you're on the road or in the field. The CWB's new mobile Web site contains an abbreviated version of the CWB's Web site that is easy to view and quick to access on a mobile device. It contains prices, Pool Return Outlooks, deadlines, the latest CWB news and more. On your device, check out <http://m.cwb.ca>.



### Search

Search capabilities are vastly improved, and return more accurate and more current results. The Google Custom Search is located in the upper right-hand corner of every page at [www.cwb.ca](http://www.cwb.ca). Simply type in your search term, and then click *Search*.

## Key dates

Visit the **Online Farmer Calendar** at [cwb.ca](http://cwb.ca) for a full list of important upcoming dates.

**May 26:** 2010-11 and 2011-12 Pool Return Outlooks released

**May 31:** Series C sign-up ends for wheat

**June 15:** Extended spring sign-up hours end for Producer Payment Options

**June 24:** July 2011 basis contract month expires

**June 30:** New-pool pricing sign-up deadline

The Online Farmer Calendar is available by clicking on the icon in the upper right-hand section of the CWB homepage at [cwb.ca](http://cwb.ca).



## Elite barley growers offer production tips

Some of the most effective barley growers on the Prairies are sharing their production tips through an annual grower recognition program.

Recognized growers for 2010-11 were recently announced by Elite Barley, a program sponsored by malting barley industry participants, including the CWB.

"The goal of the Elite Barley program is to celebrate and promote the best management techniques in malting barley production," says program spokesperson Michael Brophy, president and CEO of the Brewing and Malting Barley Research Institute. "Canadian malt is recognized around the world for

its quality in producing beer and spirits. Much of this success depends on the growers who are at the front end of the production process."

### Some key production tips from this year's recognized growers:

- Plan early for the growing season and look at which varieties are in demand and appropriate for your area.
- Crop rotation and planning is a key to consistently producing malt; rotation is key to the management plan.
- Increased seeding rates produce better yield and quality.
- Wait for acceptable harvest moisture to help ensure barley will last in storage.

- Adjust harvesting equipment as evening approaches to reduce chances of peeled and broken kernels.
- Keep accurate samples that mirror the loads from each bin.
- A comprehensive bin labelling system and bin map ensure accuracy.
- Combine barley to leave part of the awn on the kernel to reduce peeling and cracking of kernels.
- Do research. Talk to malt companies and people in the industry to make sure you have the best information.

Visit [elitebarley.com](http://elitebarley.com) for more information, including the list of recognized growers.

## IPCP program changes for CWRW Select growers

The 2011-12 Identity Preserved Contract Program contains significant changes for Canada Western Red Winter (CWRW) Select growers. New this year, a spring sign-up contract is required. In addition, CWRW Select will only be accepted at designated stations or through producer cars.

The changes improve sourcing of grain to meet sales. Farmer sign-up will determine the selected delivery points that will be accepting and paying a premium for Select.

Spring sign-up should be completed by June 24. After harvest, a delivery contract is required by September 30.

"In October, we'll look at where the grain is being signed up and then settle on some key delivery points for farmers," says Charay Dutka, CWB senior quality control and inventory manager.

Once designated delivery points are established, farmers with contracts at other delivery points have several options:

- Deliver to a designated delivery point and receive the Select premium
- Ship via producer car and receive the Select premium
- Transfer the IPCP contract to a generic contract without penalty
- Cancel the IPCP contract without penalty

Details on this and other varieties in the IPCP program are online at [www.cwb.ca/ipcp](http://www.cwb.ca/ipcp).



## National campaign highlights goodness of wheat

Robin Hood and the CWB are promoting the goodness of Canadian wheat with a national campaign entitled *Dear Mom Let's Bake Tonight*.

A key element of the campaign is a colourful new recipe and coupon booklet that is enticing families to try fun, new recipes featuring Robin Hood flour, which is proudly made with 100 per cent Canadian wheat.

The booklet will be mailed to 1.6 million households and is also being displayed in select grocery stores. A copy of the booklet is included with this issue of *Grain Matters*.

*Dear Mom Let's Bake Tonight* also contains coupon offers for baking products. A coupon from the CWB offers a new children's colouring and activity book, a fun way to teach kids about agriculture on the Prairies.

Additional online features round out the campaign. Visit [robinhood.ca/letsbake](http://robinhood.ca/letsbake) for more recipes and a message about the special quality of flour made with 100 per cent Canadian wheat. The campaign is also highlighted through the CWB's consumer Web site, [prairiewheat.ca](http://prairiewheat.ca), which features recipes, kids' activities and fun facts.



## New feature tracks soil moisture on WeatherFarm

A new feature that monitors and forecasts soil moisture conditions is now part of WeatherFarm's stable of agronomic tools.

This new tool, found under the Crop Management tab on [WeatherFarm.com](http://WeatherFarm.com), summarizes current growing conditions and generates a soil-moisture outlook for cereals, oilseeds and row crops.

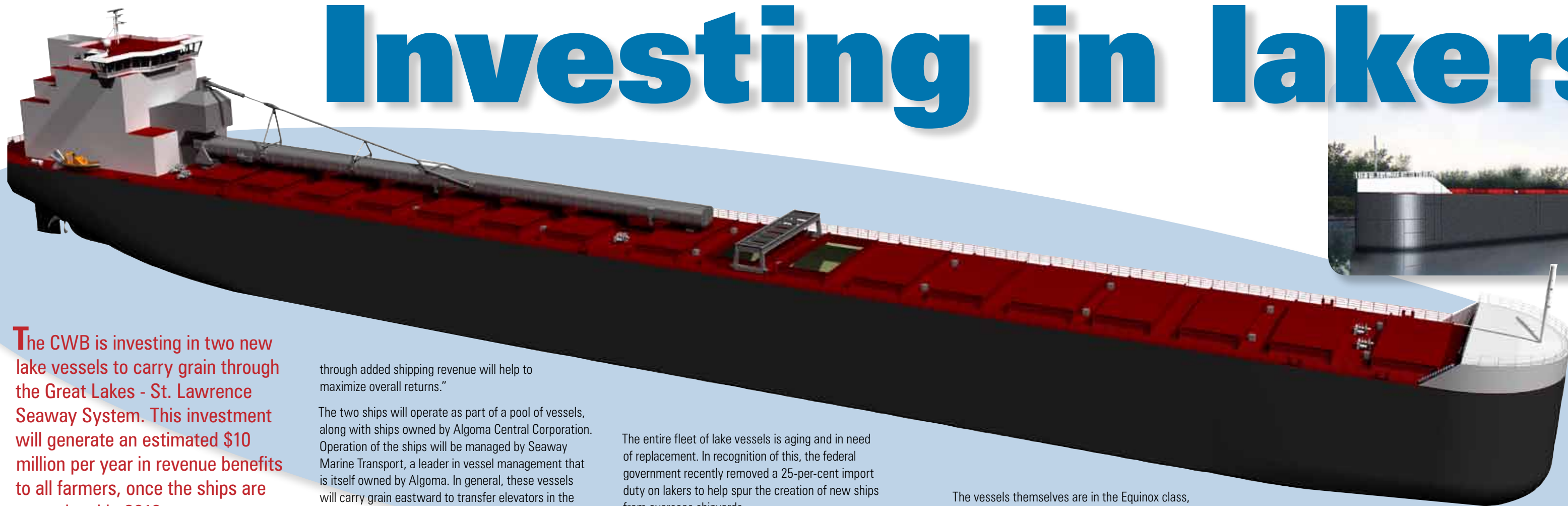
The soil-moisture tracking tool produces two easy-to-use reports. The *Bulletin* tracks weather and growing conditions from the time of planting to present. The *Outlook*

forecasts conditions from seeding to crop maturity. This forecast is generated by combining weather and crop conditions experienced to date with a projection that assumes normal conditions until crop maturity.

The reports assist with analysis of such crop-development factors as precipitation, moisture stress, growth stages, soil moisture and projected maturity dates.



# Investing in lakers



Equinox class: the next generation of Great Lakes bulk carriers

**The CWB is investing in two new lake vessels to carry grain through the Great Lakes - St. Lawrence Seaway System. This investment will generate an estimated \$10 million per year in revenue benefits to all farmers, once the ships are operational in 2013.**

Each year, it costs farmers \$70 to 75 million to move their grain from Thunder Bay to transfer elevators in the St. Lawrence River. Through this investment, farmers will share in shipping revenue and recoup part of the cost of shipping each year. All farmers participate in the investment: costs come from, and returns accrue to, general revenues.

Investing in these new world-class vessels will cost \$65 million over four crop years – about \$1 per tonne over that time. However, the investment will return \$10 million each year over their 25-year lifespan. It's a strong business case and a sound investment with significant net benefits for Prairie farmers.

It was the business case that led the CWB board – 10 of 15 members are directly elected by farmers – to approve the investment.

"The CWB's mandate is to maximize the financial return to farmers from marketing their wheat, durum and barley," said board chair Allen Oberg, who farmers near Forestburg, AB. "Reducing transportation costs

through added shipping revenue will help to maximize overall returns."

The two ships will operate as part of a pool of vessels, along with ships owned by Algoma Central Corporation. Operation of the ships will be managed by Seaway Marine Transport, a leader in vessel management that is itself owned by Algoma. In general, these vessels will carry grain eastward to transfer elevators in the St. Lawrence and return into the Great Lakes laden with other commodities.

The Great Lakes-St. Lawrence Seaway system is an important shipping route for western Canadian grain. Last year, CWB-chartered lake freight totalled more than three million tonnes. Demand for grain from regions served primarily from the eastern system – North Africa, Europe and Latin America – is forecast to grow more than 20 per cent by 2018. Lakers provide an important competitive alternative to rail, especially since rail rates beyond Thunder Bay are not regulated.

The entire fleet of lake vessels is aging and in need of replacement. In recognition of this, the federal government recently removed a 25-per-cent import duty on lakers to help spur the creation of new ships from overseas shipyards.

"This investment would not have been possible without the Canadian government's removal of this tariff," Oberg said. "The removal has sparked a wholesale renewal of the laker fleet by several major players. The CWB's purchase is a small part of the significant fleet renewal that is currently taking place."

The new CWB lakers are being built in China. Standard, ongoing inspections throughout the construction ensure the boats meet all specifications and international standards.

The vessels themselves are in the Equinox class, the next generation of Great Lakes bulk carriers. Each can haul up to 30 000 tonnes, about 20 per cent more than the average laker today. These vessels will be larger, faster and greener than the current aging fleet of ships, which will create efficiencies in moving grain through the eastern system.

"These are the ships of the future," Oberg says. "There is a solid business case for these ships, and significant returns to farmers over the lifetime of these vessels."

### Want more information? Visit [www.cwb.ca/lakers](http://www.cwb.ca/lakers) to view:

- a full Q&A on the investment
- an open letter from CWB chair Allen Oberg
- a video presentation on the Equinox class of ship
- the Feb. 8 media release
- audio of the media teleconference to announce the investment

### Did you know:

- The St. Lawrence Seaway officially opened its 53rd shipping season on March 22.
- The CWB is the largest single user of agricultural lake freight in North America, and each year moves about 3.25 million tonnes of grain from Thunder Bay to transfer elevators in the St. Lawrence.
- In 2010, the Seaway moved a total of 9.2 million tonnes of agricultural commodities. Of that, about 3 million tonnes were crops grown in the U. S., and about 6.2 million tonnes were grown here in Canada.

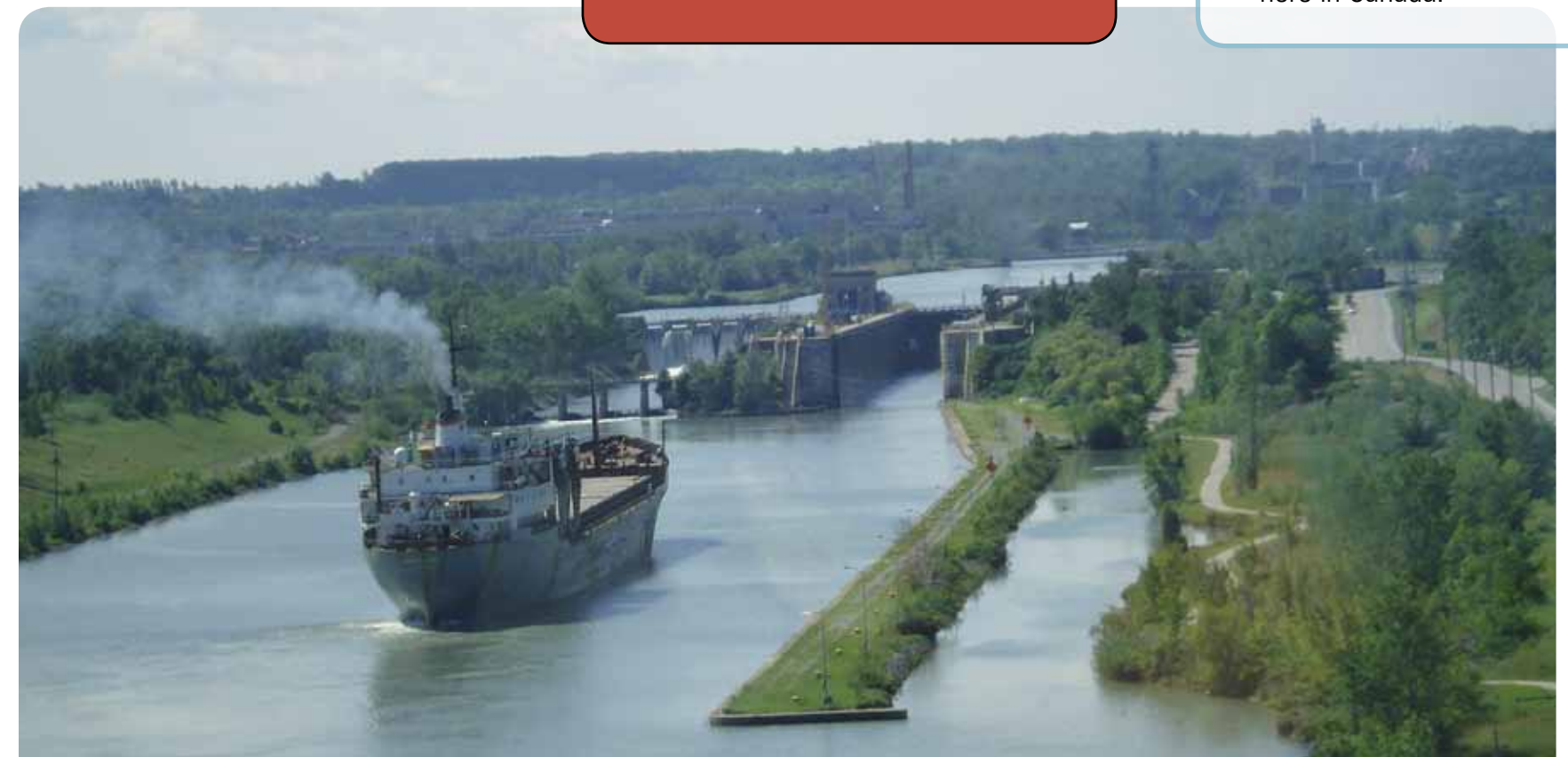


◀ Port at Thunder Bay, ON

▼ Current Lakers: below *Canadian Progress*; bottom of page. l to r: *Canadian Provider*; *Algobay*; *John D Leitch*. Photos courtesy of Seaway Marine Transport.



▼ Welland Canal



# Destination: Ecuador



## Canadian wheat has gained majority of market share

If you visit the South American country of Ecuador, you can climb a mountain peak, straddle the equator, trek through the rainforest or swim in the ocean, all the while enjoying bread made from Canadian wheat.

Local breads look a little different, depending on whether you're in the Andean mountains or in a Pacific Ocean village. But wherever you go, you're likely to find that Canadian Wheat Makes it Good. Ecuadorian bakers rely on wheat from the Prairies to make high-end bread products.

"Our quality has really been embraced by the market and they've made it the core of their grist," says Rhyl Doyle, the CWB's senior marketing manager for Latin America and the Caribbean. "They've been very fond of Canadian wheat and are very loyal to us."

Over the past 15 years, Canadian market share has climbed from about 35 per cent of the market to nearly 65 per cent. Doyle credits the CWB's branding efforts, as well as technical exchanges and baking seminars, with helping to set Canadian wheat apart as a benchmark for quality.

In 2009, the CWB participated in a promotional campaign for bakers in Ecuador with the flour miller Moderna Alimentos, increasing the connection between premium flour and Canadian wheat content. If you travel to Ecuador today, you'll find the Canadian Wheat Makes it Good (El Trigo Canadiense Lo Hace Bueno) logo prominently

displayed on Moderna Alimentos flour bags sent to commercial bakers across the country. Most of Ecuador's 5,000 bakers are well acquainted with Canadian wheat.

Many of these bakers are artisan bakers, who work the bread dough with their hands instead of using mechanized mixers. Canada Western Red Spring meets their needs, as well as the needs of the country's biggest industrial bakers.

CWB marketing manager Erik Ordóñez, who was born in nearby Lima, Peru, says he and Doyle are now talking to Ecuadorian customers about Canadian durum for use in pasta-making. The pair are seeing early signs that momentum is building for the development of a domestic pasta industry in Ecuador.

"Pasta in Latin American countries is often made with bread wheat," says Ordóñez. "What's happening is that some people are starting to acquire a taste for durum semolina through their experiences travelling abroad."

That spells opportunity for the CWB in the years ahead, as Ecuador's domestically produced, durum-based pasta starts to compete against imported pasta. Although the durum market in Ecuador is in the earliest stages of development, there's no better time to familiarize potential customers with the quality characteristics of the Canadian product.

Ordóñez has just returned from a mission to Ecuador, where he met with flour millers and bakers to make sure they are getting the most out of their Canadian wheat.

"Prairie farmers had a difficult year this past year and we want to make sure our customers have a good understanding of the quality characteristics of our wheat, and how to get the best performance from the grain," Ordóñez says.

### Ecuador at a glance

**Location:** western South America, between Colombia and Peru, borders the Pacific Ocean at the equator

**Climate:** tropical (hot, humid) along the coast, cooler at higher elevations, and tropical in Amazonian jungle lowlands.

**Population:** 15 million

**Capital city:** Quito

**Agricultural products:** rice, cassava (tapioca), beans, maize, potatoes

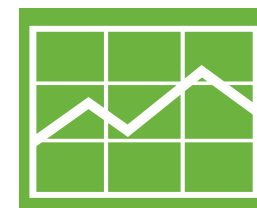
**Industries:** petroleum, food processing, textiles, wood products, chemicals

**Languages:** Spanish and Amerindian languages, especially Quechua

## Canadian Wheat Makes it Good



CWB marketing manager Erik Ordóñez, second from the left, with representatives of Grupo Moderna Cayambe in Ecuador.



## PPO Portfolio

In this new feature, farmers present their experiences with Producer Payment Options (PPOs). In this issue, we feature Pat Kuhn, a producer from Oyen, AB, who has been using PPOs for about five years.

### Portfolio: Pat Kuhn, Oyen, AB

One of the main benefits that Pat Kuhn sees from using PPOs is cash flow.

"I like some cash right off the combine. With a PPO it's like having a canola crop or a cash crop – you get the money up front," says Kuhn, who has farmed near Oyen, AB, for nearly three decades.



Pat Kuhn in the field.

"A lot of the time sitting on the combine I'll start pricing – it's nice to know you've got the grain. I'll price some right at harvest, deliver in the fall and defer to January 1. My major bills are in the fall and spring."

Kuhn farms about 3,000 acres, and seeds spring wheat, winter wheat, durum and mustard. He often divides his spring wheat equally between the Fixed Price Contract (FPC) and the pool.

"I try to determine when I can get a little profit and I take it," he says. "I pick a number, and if it hits it, I take it."

For the first time this year, Kuhn is trying the Basis Price Contract, locking in the futures and basis portions at separate times. In past years, he has stuck firmly with the FPC, which lets him choose a flat price for his wheat. However, he has not tried the FPCPlus for durum, which he sees as more volatile than the wheat option.

"It's not as competitive. With wheat you know what you are getting, but the durum price can be out of whack," he says.

If there is one thing he could change about the CWB pricing options, it would be to further extend the sign-up period.

"I liked it better this year when we got to go to the end of January with the FPC. I can't quite see why we can't go longer. I'd like to see it extended as long as it can be."

He follows prices daily, both through the CWB and other Web sites. He also reads the CWB's PPO Updater market commentary each Wednesday. (Subscribe to the Updater or to daily PPO prices at [www.cwb.ca/email](http://www.cwb.ca/email).)

Despite the amount of research he brings to the table, he realizes there is no way to know when markets are at their peak. He's philosophical about price movements, and realizes it's important to be comfortable with the price you take, based on covering your operating costs and being left in the black.

"I try to catch the price as it's going up. Usually you know what happens, it goes up the next day again," Kuhn says. "This year, I grew a little winter wheat, and I thought the price was pretty good when I priced it. I can make some profit there, although the price has gone up again since I did it."

## It's time to explore your options

One call to a CWB producer pricing option expert and you'll understand why thousands of producers use Producer Payment Options. Whether for cash flow, risk management or flexibility – we can get you moving in the right direction.

**We're ready to talk when you are.**



**Wendy Kaplan**  
Spruce Grove, AB  
(780) 940-8905  
[wendy\\_kaplan@cwb.ca](mailto:wendy_kaplan@cwb.ca)



**Chris Kuntz**  
Saskatoon, SK  
(306) 280-1247  
[christopher\\_kuntz@cwb.ca](mailto:christopher_kuntz@cwb.ca)



**Mavis Willson**  
Winnipeg, MB  
(204) 250-4469  
[mavis\\_willson@cwb.ca](mailto:mavis_willson@cwb.ca)

Find more information at [www.cwb.ca/ppo](http://www.cwb.ca/ppo)



# Questions farmers are asking

## How can I exit my CWB contract?

New in 2010-11, you can exit a contract during the crop year through either a buyout or an assignment.

Buy-outs are available for wheat, durum and feed barley, once an acceptance level has been announced.

To perform a buy-out, you pay a per-tonne fee (assessed daily) and a \$25 transaction fee. Per-tonne fees for each class are posted at 3 p.m. CT each business day at [www.cwb.ca/buyout](http://www.cwb.ca/buyout). The rate reflects the market cost, at time of buy-out, associated with losing accepted tonnes committed to a contract.

You can also opt to assign, or transfer, a delivery contract to another producer. There is no per-tonne fee for assignments; the only cost is a \$25 administration fee. An assignment can be done at an elevator, or by faxing an assignment form – signed by the transferor and the transferee – to the CWB. The form is online at [www.cwb.ca/assignment](http://www.cwb.ca/assignment).

When a contract is not bought out or assigned to another producer, liquidated damages are assessed if contract tonnes are not delivered. Damages can be completely avoided by meeting the minimum delivery requirement for your contract.

New this year, liquidated damages will be assessed as the contract buy-out fee in place at the end of the crop year. This new assessment method has the potential to greatly exceed the per-tonne cost of liquidated damages in past years, particularly for high-quality durum.

The daily buy-out fee is calculated by taking the difference between the per-tonne price for which the CWB can expect to sell the grain today and the average value at which the CWB has sold comparable grain during the pool year. This is multiplied by the percentage of the pool sold to date. The buyout fee accurately reflects the market cost associated with buying out accepted tonnes committed to a contract. Sales to customers are based on accepted tonnes.

## Why does the CWB call deliveries when road bans are in place?

In spring, road bans and seeding activity prohibit many farmers from delivering. However, the need for deliveries continues throughout the crop year, so if you are able to deliver, please do so. Contact your elevator for delivery opportunities.

Throughout the spring, deliveries of all grades are needed. The top priorities are Nos. 1 and 2 Canada Western

Amber Durum and high-protein No. 1 Canada Western Red Spring (CWRS). Farmers with No. 1 CWRS with at least 13.0 per cent protein can receive storage and premium payments through a new delivery program – visit [www.cwb.ca/highprotein](http://www.cwb.ca/highprotein) for more information.

## What is the best way to keep on top of changes to or new CWB programs and events?

One of the best methods is to subscribe to the *E-mail Updater*. This electronic newsletter is issued whenever large updates – program enhancements, event announcements, and media releases and bulletins – are posted to the CWB's Web site. Be prepared for three to four e-mails each week. If that is too much clutter in your inbox, another e-mail newsletter, *MyCWB*, offers current news and program information in a biweekly format. Both of these newsletters bring CWB program and service information directly to you. To subscribe, go to [www.cwb.ca/email](http://www.cwb.ca/email).

You can also search out updates yourself on our Web site. From the home page, you can use new tabs to quickly access news and announcements (including news releases), PPO prices, GDC information, and more.

## Producers attend Farmer Forums across the Prairies

Prairie farmers received detailed information on CWB performance at annual Farmer Forum meetings across the Prairies.

The annual meetings were conducted in 20 communities between March 7 and 17. Each elected director hosts two Farmer Forums in their district. Over 1,000 producers attended the forums this year, an average of about 50 per session.

The forums are part of the board of directors' commitment to engage all farmers. At each meeting, there was a detailed presentation on the 2009-10 annual report, an examination of the current crop year, a look at major issues, a market outlook, and a question-and-answer session.

Feedback surveys showed that more than 90 per cent of participants found Farmer Forums to be beneficial or very beneficial. If you have suggestions for topics you'd like covered at next year's Farmer Forums, send them to your elected director.



Ian White, CWB president and CEO, addresses participants at a Farmer Forum in Vegreville, AB.

Grain Matters is a bi-monthly publication distributed free-of-charge to Prairie farmers. (Current and past issues are also available online at [www.cwb.ca](http://www.cwb.ca))  
Grain Matters editor, John Lyons  
Contact the CWB – Phone: 1-800-275-4292, e-mail: [farmerservice@cwb.ca](mailto:farmerservice@cwb.ca)

RETURN UNDELIVERABLE  
CANADIAN ADDRESSES TO:  
CWB 423 MAIN STREET  
PO BOX 816 STN MAIN  
WINNIPEG MB R3C 2P5