

GrainMatters



August/September 2011

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www.cwb.ca



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Plebiscite gives farmers a voice



Allen Oberg
Chair, CWB
board of directors

As I write, I am awaiting the result of the farmer plebiscite on the future of the CWB.

Holding this plebiscite has been our way of ensuring that you are being given a say in the fate of the CWB. We run this organization and we pay for it. Yet the federal government plans to take it away from us without any consultation.

In fact, the government appears willing to make this monumental change without having done any analysis on the implications. All they've put forward publicly is rhetoric. Where is their analysis on how removing the single desk will affect producer cars? Short-line railways? Our premium markets? Consolidation and competition within the grain industry? Rail service and rail costs? The ability to brand your wheat and barley? The Port of Churchill?

We are at the 11th hour. Later this month, the government plans to introduce legislation to end the single-desk marketing system by Aug. 1, 2012. This is an unbelievably short timeline to make such a monumental change. Wheat and barley marketing are very big business: \$5 to \$7 billion in annual income to farmers. With that kind of money at stake, we as farmers need to keep our eyes wide open.

It's not like we haven't been down this road before. Remember the Crow Rate? We were told its elimination would spark growth in the cattle industry and value-added processing. We were promised that savings from transportation and grain-handling efficiencies would be passed on to farmers. Instead, we haul farther to fewer elevators and pay more for poorer service.

Like the Crow, the CWB provides a benefit to farmers, and that benefit is being taken away. Once it is gone, it is gone forever. After Aug. 1, 2012, there may be another entity created, but it will not be the Canadian Wheat Board and it will not remotely resemble the CWB of today. The CWB is a marketing system. Take away that marketing system, and you emasculate the organization. This has been the conclusion of any examination of a so-called voluntary CWB. The federal government's own task force reached that conclusion five years ago.

This has nothing to do with the amount of planning and preparation on the CWB's part. The CWB has looked at a number of scenarios over the past several years. None of those scenarios come remotely close to providing the value to farmers that the current CWB provides.

The CWB returns all money from sales – minus operating costs – directly back to farmers. The CWB clearly displays its full revenues and operating costs in its annual report. This will not happen in an open market. You'll never know how much the customer paid for your grain. You'll never know how much of that price is going to grain-company operations and how much is going to grain company profit. Transactions will have the transparency of a brick wall.

If the government proceeds with its plan, will we as farmers be compensated for the loss of this value? I see the sales books as a farmer-elected director, and I can tell you that the single desk works to farmers' benefit in the international marketplace. We've had economists examine the value, and they peg its net benefit to farmers at over \$500 million per year.

Besides being a marketing organization, the CWB is also a farmer-controlled organization, governed democratically. Farmers elect directors to sit at the board table and guide the strategic planning and direction of the CWB. If the majority of elected directors support the single-desk, that is the thinking that guides the organization. If the majority of farmers want the single desk, I would argue it's fair and democratic to keep the single desk. Likewise, if the majority do not want it, then it's incumbent upon us as your elected directors to start wrapping things up.

This isn't unique to grain farming in Western Canada – wheat producers in Ontario, for example, voted to end their single-desk system, while Quebec wheat producers have voted to keep theirs.

I believe that farmers, ultimately, should make those decisions, and the democratic way has to be the majority rules. It's in this spirit of democracy that we held the plebiscite. The CWB is our marketing organization and we deserve to have a say. The CWB board of directors is committed to supporting the plebiscite result – whatever farmers decide.

What's happening at cwb.ca



E-mail Updater

The Updater is the CWB's most comprehensive electronic newsletter. You will receive an e-mail several times a week, whenever information is updated at cwb.ca. It's a great way to stay on top of program changes in the 2011-12 crop year. To subscribe, go to www.cwb.ca/email.



Blog

CWB chair Allen Oberg discusses his views on the fate of the CWB's single desk in a new blog. Oberg says that all producers should face the future with their eyes wide open. The new blog can be found at cwbeyeswideopen.blogspot.com.



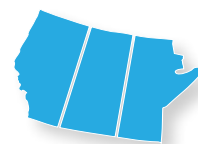
Mobile

Take cwb.ca with you on the road or in the field. The CWB's mobile Web site is an abbreviated version of cwb.ca that is easy to view and quick to access on a mobile device. On your device, check out <http://m.cwb.ca>



Videos

Watch the latest CWB information online, including commentary on Pool Return Outlooks and information on the fate of the single desk. Visit www.cwb.ca/youtube to view the latest videos.



FBR search tool

A CWB farm business representative (FBR) works in your area to help deal with your business concerns. An FBR search tool helps you quickly locate the name and contact information for your local rep. Visit www.cwb.ca/fbr.

Key dates

Visit the online farmer calendar at cwb.ca for a full list of important upcoming dates.

Online
farmer
calendar



- Sept. 1** – 2011-12 APP after-harvest program begins
- Sept. 9** – Results of CWB plebiscite released by MNP
- Sept. 30** – Deadline to repay your 2010-11 cash advance
 - Series A sign-up deadline for CWRW
 - IPCP CWRW Select sign-up deadline
- Sept. 22** – Pool Return Outlook
- Oct. 10** – Thanksgiving Day (CWB offices closed)
- Oct. 25** – World Pasta Day
- Oct. 27** – Pool Return Outlook
- Oct. 31** – Series A sign-up deadline for
 - CWRS, CWAD, CWHWS, CWSWS and CPSR
 - IPCP sign-up ends

The online farmer calendar is available in the upper right-hand section of the CWB homepage at cwb.ca.

Food companies look at on-farm practices



Mike Grenier
CWB Agronomist

Food companies worldwide are measuring the environmental impact of food production – including a look at management practices on farms.

Fortunately, in Western Canada we can demonstrate to customers that sustainable agricultural practices are already in place for wheat and barley production. Prairie farmers compare extremely well to producers in other grain-growing regions of the world in terms of environmental stewardship.

For example, nearly three-quarters of Canadian farmers have adopted some form of conservation tillage, helping to preserve soil health. In addition, nearly all crops in Western Canada rely on rain as the source for water as opposed to irrigation. Our cold winter climate means that we have fewer insect pests and less reliance on pesticides than many other countries. For us, it's a matter of presenting the science and making sure our story gets heard.

I recently returned from a European mission where I met with major multi-national food manufacturers. Food companies have already done a lot of work on the environmental sustainability of their food products and they're gearing up to do more.

The 4Rs:
Right Source
Right Rate
Right Time
Right Place

The Italian company Barilla, for example, knows the ecological, carbon and water footprint of several of its food products. Perhaps surprisingly, the biggest footprint comes from the farm, or what Barilla calls "raw materials cultivation". Milling, baking, packaging and distribution combined leave a tiny environmental footprint in comparison to actually growing the food.

Major food retailers like McDonald's are keen to get this kind of information from their suppliers. Reducing the environmental impact of source ingredients is one way for food companies to gain a competitive advantage over competitors. It's easy to see that small reductions in carbon dioxide emissions at the farm level can really add up when thousands and thousands of farms are included in the analysis.

We can expect food companies to measure factors including energy use, soil loss, land use, water use and climate change (greenhouse gas emissions) at the farm level. That's where Canadian initiatives such as the 4Rs for fertilizer application can help: Right Source @ Right Rate, Right Time, Right Place.

The 4Rs were developed by the International Plant Nutrition Institute, the Canadian Fertilizer Institute and its member companies. Adoption of such best management practices by western Canadian farmers will position Canada ahead of its international competitors. Farmers who want to learn more about the 4Rs can check out the Canadian Fertilizer Institute's Web site: www.cfi.ca/whatwedo/nutrients/.

Mike Grenier is the CWB's agronomist and is responsible for managing environmental sustainability issues, connecting farm management practices with customer interest in environmentally-sustainable food production.

Receive accurate weather info from WeatherFarm

WeatherFarm weather stations stood their ground against competitor stations in a recent study.

WeatherFarm conducted a comprehensive analysis, comparing WeatherFarm station performance to those of competing weather service providers. The study looked at data from three weather stations operated by Environment Canada, Manitoba Agriculture, Food and Rural Initiatives and WeatherFarm. Each station was located near Carberry, MB.

Hourly temperature, relative humidity, dew point, average wind speed and daily precipitation observations were compared for three months. The results show that weather observations taken by the three stations were virtually identical, demonstrating that the monitoring equipment used by each weather service is reliable.

"For farmers, this means they can be assured that WeatherFarm's cost-effective network of on-farm weather stations delivers weather information that is as accurate as traditional sources," says Guy Ash, CWB weather network manager.

"The key to truly adding value to farmers is what you do with the data gathered by the stations, and that is where WeatherFarm sets itself apart from the rest."

WeatherFarm, launched in 2009, is the fastest growing weather service in Western Canada. Its weather station network has grown from zero to over 800 (over five times greater than Environment Canada's Prairie network) in a few years, and weatherfarm.com now boasts over



Competing weather stations at Carberry, MB

12,000 registered users within the agriculture industry.

Check out weatherfarm.com to see how WeatherFarm's data-generated pest and insect management tools can help you stay on top of your crops.



A brand new cwb.ca

Surfing the CWB just got a whole lot easier. The CWB's Web site, cwb.ca, has undergone its first major redesign in five years, resulting in a dynamic new look that better suits today's Internet users.

"More farmers are on high-speed, and more now have larger monitors that can access larger pages," says Richard Martin, CWB manager of design and web services.

"We've kept all the best features of the old site, including the customized Google search tool and the basic navigation structure that everyone will be familiar with. But the site now has more navigation tools that can be used to find content faster. The overall structure of cwb.ca is the same – but information is now easier to find."

Among the enhancements:

Banner: A large horizontal banner in the top portion of the page provides important information in an attention-grabbing format

Font size: The default font size has increased, but the option remains to customize the size for readability.

Primary navigation now has dropdown menus: A green menu bar at the top of the page replaces the smaller white menu on the old site. Users can now hover their mouse over a tab to see the contents of the section. These tabs appear on every page of the Web site:

Farmers: detailed information on farmer programs

Customers: information for international and domestic customers of farmers' grain

e-Services: conduct your business online

Hot topics: topical information on the issues of the day, such as the farmer plebiscite

Newsroom: a resource for journalists that includes a catalogue of CWB news releases

Library: A repository of publications, including Grain Matters and the CWB annual report

About us: background information on the CWB, and contact information for elected directors, farm business reps, and more

On-demand tabs: Grey tabs appear in the middle of the homepage, turning blue to indicate that the tab is active. These tabs carried over from the former site, and they provide quick access to:

PPO price snapshot: pricing information for Producer Payment Options

News: recent CWB news releases and announcements

Videos: the latest CWB informational videos

Tools/calculators: look up your FBR, dig down into the variety survey, visit the CWB's mobile site, and more

Online farmer calendar: This feature contains all major CWB dates and deadlines to help you plan your business.

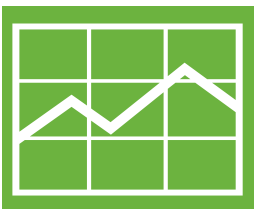
Toolbox: This feature provides easy access to a number of operational online features, such as determining the font size of your Web text.

WeatherFarm: Instant access to WeatherFarm features.

Site Map: A new site map is accessible at the bottom of the page providing a quick visual of all the main pages of the Web site.

The screenshot shows the CWB website homepage with a new green navigation bar at the top. The main banner features a photo of a man and the text "Same site, new look!". Below the banner are several sections: "Upcoming Events" with a list of farmer meetings, "News and announcements" with a list of news items, "PPO price snapshot", "Videos", and "Tools and calculators". There are also sections for "Announcements", "Online farmer calendar", "Toolbox", and "weatherfarm". The footer contains a "Site map" button.

This screenshot shows the "Farmers" section of the CWB website. It features a search bar with a map of Western Canada and the text "Click above to search for your FBR". Below the search bar is a list of services provided by CWB Farm Business Representatives (FBRs), including: "Come to your farm to discuss any issues you have", "Explain how CWB programs can fit into your farm operation", "Host and attend your conference or public speaking engagement", "Arrange meetings with your farmer-elected directors", "Arrange tours to CWB head office, agriculture trade shows and other events", and "Help you navigate the CWB's online business tools, such as www.cwb.ca and e-Services".



PPO Portfolio



PPO Portfolio features farmers discussing how they use Producer Payment Options (PPOs) in their business plan. In this issue, we feature Ken Krywko, who farms north of Edmonton.

Ken Krywko, Morinville, AB

Ken Krywko is not a fan of waiting for his final payment from the pool – so he uses PPOs to receive quicker payment.

“I use it as a tool to manage cash flow,” says Krywko. “When I am hauling off the combine in the fall, I get my money upfront.”

Krywko primarily uses the Early Payment Option (EPO), a minimum price contract. He also uses the Fixed Price Contract (FPC), a pricing option with a flat price, on a smaller portion of his wheat.

“I do about five to 10 per cent of my wheat production on the Fixed Price, and about 50 to 60 per cent I do with EPOs,” he says.

“I don’t like that you have to wait for your money, wait for up to one year. I like to get my money upfront. That’s why I use EPOs.”

Krywko prefers the 90 per cent EPO. He usually prices through the program until the middle of the crop year, if he believes the discount is at a reasonable level. Later in the crop year, when initial prices are often higher, he tends to deliver into the pool.



Ken Krywko

The FPC also offers cash flow advantages, he notes. Krywko spends time researching markets, but tends to base his decision to use the FPC on the Pool Return Outlook (PRO) level.

“I will see what the markets are doing, but I base it more on the PRO. If the FPC is over the PRO, I will chance it. But 80 per cent of my decision is based on cash flow.”

Krywko farms 2,800 acres at Morinville, AB. He seeds about 1,300 acres to wheat, and divides the rest between canola, peas and malting barley. He uses the *CashPlus* program to get an upfront price on his barley.

Krywko is also a proponent of his local farm business representative (FBR), who he frequently turns to discuss program options.

“I use my rep for information. He is good to contact and discuss my options with,” he says.

Farmers can find their local FBR by visiting www.cwb.ca/fbr. An interactive tool enables searches by delivery point, or through an interactive map.

In addition, program service reps who specialize in PPO programs are available in each province. Find your local rep at www.cwb.ca/psr.

Busy CWB grain lab expands into new location

The CWB’s grain quality lab has expanded into a new location to more efficiently test and store high volumes of wheat samples.

“Most of the samples we test are composite samples taken from trains loading in the country,” says Gord Flaten, vice-president of marketing and sales at the CWB. “Nearly every sales contract we make with wheat customers includes guarantees on quality. The lab helps us manage our shipments so we meet those guarantees and maximize revenue to farmers.”

Most years, the CWB has plenty of top-quality wheat to market, but in 2010, frost and then wet weather at harvest time hurt crop quality. Customers who have been accustomed to buying top-quality No. 1 wheat rely upon lab results to understand the quality parameters of lower grades.

Testing volumes have increased dramatically -- when the CWB opened its inaugural lab in October 2009, lab staff handled 200 to 300 samples per week. By May 2011, CWB grain graders and technicians were processing 100 to 300 samples per day.

The lab is coming up to one of its busiest times of year, when new-crop samples are analyzed. Flaten says customers want details about western Canadian crop quality as soon as possible after harvest.

“Wheat customers are looking for more and more information on our product,” he says. “For example, they want the falling number (an indication of baking quality) to be consistent so that they don’t have to continually alter mixing times and potentially waste flour stocks through experimentation.”

The lab, originally located at Innovation Place in Saskatoon, now occupies a much larger space on Faithfull Avenue near the city’s airport.



The ribbon is cut to officially open the new lab. Left to right: David Husband, who farms at Harris, SK; Bill Woods, CWB District 4 director and Gord Flaten, CWB vice-president of marketing and sales

Canada's bakery relies upon Prairie farmers

Branding agreements expand to bread products

The CWB has partnered with Canada Bread – bakers of Dempster's fresh bread products – to promote the goodness of Prairie wheat.

Under the new branding agreement, the CWB's "Canadian Wheat Makes it Good" maple-leaf logo will appear on all bags of Dempster's WholeGrains® Canadian Century Grain breads sold across the country. The summer 2011 campaign includes national television commercials, print advertising, in-store promotions and demonstrations, and online material accompanied by the new tagline "Prized around the world – grown on the Prairies".

Prairie farmers, through the CWB, are natural business partners, says Andrea E. Graham, Senior Vice-President of Marketing and Business Development at Canada Bread.

"Dempster's is Canada's bakery and the Prairies are Canada's wheat heartland," she said. "We feel strongly about using 100-per-cent Canadian wheat to bake our breads. We think consumers and Canadians will too."

David Burrows, the CWB's vice-president of Farmer Relations and Public Affairs, says studies have shown Canadian – origin labelling plays a big role in consumer shopping decisions.

"The prominent 'Canadian Wheat Makes it Good' logo reminds shoppers that nutritious, delicious bread is made from Canadian wheat," said Burrows. "It's a way of helping Prairie farmers connect directly to consumers."



Matt Price, who farms near Moose Jaw

The CWB has previously negotiated branding agreements with several Canadian and international market leaders. Saskatchewan farmer Matt Price says corporate partnerships ensure his wheat is highly valued in Canada and around the world.

"We grow some of the best wheat in the world here on the Prairies," said Price, who farms 3,500 acres west of Moose Jaw. "CWB branding programs help spread the word that



Canadian Wheat Makes it Good

Canadian wheat means quality wheat. Ultimately, that recognition will increase the value of the grain that we grow."

Many farmers appear to agree with Price. The CWB's 2010 producer survey found 97 per cent of farmers think that branding Canadian wheat in key markets as a unique, high-value product was important.

The CWB's role as the single seller of Prairie wheat facilitates branding relationships like the one with Dempster's.

"Corporations need to be confident that the resources they commit to brand promotion will directly benefit their own sales prospects – not those of their competitors," said Burrows. "As the single seller, we can also effectively control and protect the brand's attributes in a way that would not be possible otherwise."



Destination: Morocco

Prairie durum sought after in demanding market

Mosques, minarets and bazaars are generally a part of any Moroccan experience. Located in the northwest corner of Africa, Morocco is a country of extremes, from its fertile coastal regions to the Sahara desert.

It's also a country where people know what they want when it comes to durum semolina.

"The Moroccan consumer is very discerning in terms of the durum semolina they purchase at the local market or bazaar," says Jean-Benoit Gauthier, senior marketing manager for the Middle East, Europe and Africa. "They pay a lot of attention to colour, and western Canadian durum provides the best result in this regard."

The bright, yellow colour associated with products made from Canada Western Amber Durum is a tribute to Canadian durum wheat breeders, who use information from the CWB marketing strategy area to develop seed that performs well for farmers and customers alike. The result is that Canadian durum holds top spot in terms of desirability.

In Morocco, durum semolina is used to make couscous and durum flour is used to make bread. Consumption of durum is divided evenly between the two. Durum demand from Morocco is generally very strong: Morocco

was the fourth-largest importing nation of western Canadian durum in 2009-10.

"Morocco demands quality," Gauthier says. "Millers generally incorporate the latest technology in their milling processes and they must cater to a demanding consumer in a very competitive environment, so they're looking for the best quality available."

Moroccan farmers grow durum, but not in sufficient quantity or quality to meet domestic demand. Small-scale mills or communal mills generally process domestic durum, while industrial millers tend to source durum from outside the country.

Industrial-size millers prefer durum wheat from the Canadian Prairies because it is clean and of consistent quality.

"Moroccan millers don't like surprises," says Antoine Coudière, the CWB's market analyst for the region. "They get consistency from western Canadian grain even when we're shipping 25 000 tonnes at a time."

In contrast, durum shipments from Europe – a much closer competitor – tend to be in the neighbourhood of 7 000 tonnes at a time, and there may be quality differences from cargo to cargo and port to port.

One of the long-term challenges with the durum trade to Morocco is that the U.S. has negotiated a free trade agreement that provides a tariff advantage over Canadian durum.

"As time passes, the advantages to U.S. durum are becoming greater, both in terms of allowable volumes and price," says Coudière.

Canada and Morocco have initiated talks that hopefully will lead to a leveling of the playing field.

"Quality cannot bridge the difference on its own," says Gauthier. "In another three years, as the differential tariffs between the two countries widen, we may see the gulf between prices become too wide to support Moroccan purchases of western Canadian durum."

Morocco at a glance

Location: Northwest corner of Africa, bordered by Algeria and the Atlantic Ocean

Climate: Moderate, subtropical climate. Inland, temperatures can be extremely hot in summer and cold in winter.

Population: 30 million

Capital city: Rabat, population 1.7 million

Languages: Arabic, Berber dialects and French

Religion: Muslim

Industries: Phosphate rock mining, food processing, leather goods, textiles

Agricultural products: Barley, wheat, citrus, wine



Questions farmers are asking

Will the CWB be offering Series B and C delivery contracts in 2011-12?

Series B and C contracts are under review, but Series A is now open for wheat and durum.

The CWB requires a firm idea of the amount of grain in the 2011-12 pools earlier than in other years, due to the uncertainty over the fate of the CWB's single-desk marketing system. By having an early indication of the full tonnage available, the CWB will be better prepared to meet customer needs during this period of uncertainty.

Grain for most sales will be sourced from Series A sign-up. If additional grain is needed to meet customer sales, the potential remains that Series B and C could be offered at a future point, or Guaranteed Delivery Contracts could be used later in the crop year.

The Series A sign-up deadline for Canada Western Red Winter is Sept. 30, and the deadline for all other wheat and durum is Oct. 31.

With the recent changes to FlexPro, how is it different than the FPC?

The CWB has extended the sign-up window for its 2011-12 FlexPro pricing option by six months to March 15, 2012. This extension was implemented in response to feedback from farmers, who wanted more opportunity to assess their production risk before

committing tonnage to the program. Previously, tonnage had to be committed before the start of the new crop year. To enable this program to be offered past the start of the crop year, the adjustment factor will apply to sign-up that occurs after August 1.

FlexPro and the Fixed Price Contract (FPC) contain different sign-up rules. Under FlexPro, you commit tonnage first (between July 18 and March 15) and lock in the adjustment factor at that time. You can then choose the price for that tonnage at whatever point you choose before July 31. Under the FPC, the price and tonnage are locked in at the same time.

Sign-up for both the FPC and Basis Price Contract is also extended, from January 31 to March 15.

Is the CWB offering the Churchill Storage Program and the Wheat Storage Program this year?

No, there will not be a 2012-13 Churchill Storage Program or Wheat Storage Program. Both of these programs encourage farmers to store grain on-farm for delivery in the 2012-13 crop year.

The federal government plans to eliminate the CWB's single-desk marketing system on Aug. 1, 2012 – the start of the 2012-13 crop year.

Due to uncertainty over the fate of the single desk and the CWB, it is impossible at this point for the CWB to offer programs for the 2012-13 crop year. Programming for 2012-13 cannot be determined until after the government introduces its proposed legislation, and more is known about the fate of the single desk and the CWB.

Is GrainFlo being offered this year?

Yes. GrainFlo is a delivery contract for Canada Western Red Spring (CWRS) wheat and Canada Western Amber Durum (CWAD) that pays storage and provides a choice between two defined delivery periods.

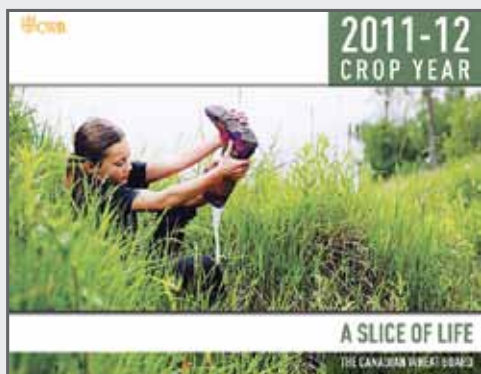
The program will operate in 2011-12. Sign-up will begin Oct. 11 for CWRS and Oct. 18 for CWAD. Delivery Period 1 runs from Dec. 15, 2011, to Mar. 15, 2012. Period 2 runs from March 16 to June 29.

Storage payments are calculated from Jan. 1, 2012. Storage will be paid at the rate of 3.3 cents per-tonne per-day for Period 1, and 5 cents per-tonne per-day for Period 2.

The GrainFlo tonnage limit will be three million tonnes for CWRS and 600 000 tonnes for CWAD.

You must work with your grain company representative to determine the correct grade and protein before signing up a GrainFlo contract. The delivered grade and protein must match the contracted grade and protein.

Photo courtesy of Les Dunford, Westlock Town & Country



CWB 2011-12 crop year calendar.

Right: Will Huppertz and his daughter, Erika.

Will farms near Westlock, AB. His photo of Erika was one of 17 images chosen for the CWB 2011-12 crop year calendar.



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