



Wheat exports as a percent of average wheat production for the United States and Canada by crop year.

The Canadian Wheat Marketing System

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One phase of a study that analyzed competitiveness of North Dakota wheat in the export market identified and explained the role of agencies involved in the Canadian wheat marketing system. Canada is a major competitor for United States wheat, especially dark northern spring and durum wheats grown in North Dakota. Due to its relatively small population, Canada must depend on the export market for much of its wheat sales.

The erratic wheat market of the past two years has increased the interest of North Dakota wheat producers in the subject of world wheat trade. As Canada is a major competitor for wheat grown in North Dakota, producers should be aware of Canadian wheat marketing practices.

Canada's wheat marketing system is essentially a combination of public and private enterprise marketing wheat grown by Canadian wheat farmers. In this market situation the Canadian Wheat Board, through its delivery quota system and the issuance of permit books, controls the off-farm flow of all wheat.

The Canadian Grain Commission supervises the handling, weighing and grading of wheat. The

Canadian International Grains Institute is responsible for domestic and international wheat and wheat use promotion. Producer-owned wheat pools, similar to U.S. cooperative country elevators and private grain companies, own the storage facilities located throughout the country. The Canadian government, in turn, regulates the operations of the Canadian Wheat Board, Canadian International Grains Institute and the Canadian Grain Commission.

The relative importance of each of the agencies that make up the Canadian wheat marketing system requires a look at each of their roles.

Canadian Grain Commission

The role of the Canadian Grain Commission in the grain marketing system is to help maintain quality standards.

Work on this study was jointly supported by the North Dakota Wheat Commission and the NDSU Agricultural Experiment Station.

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As soon as possible after harvest begins, the Commission collects samples of the new crop and determines milling and baking qualities from these samples. Using this information, the Grain Standards Committee establishes the minimum requirements for each grade in that year and publishes an annual crop year report. The committee then prepares standard export samples which always have a higher quality than the minimum specified by the Canada Grain Act. They are prepared by mixing together three parts of grain equal to the general average of the grade and one part of grain which is minimum for the grade. The crop year report has less significance to importers of Canadian wheat because of the relatively large carryover of wheat from year to year, which has a considerable influence on the quality of export shipments.

The Canadian Grain Commission also issues a "certificate final" which is a statement of quality for each shipment that it covers. This statement, in effect, certifies that the cargo is of the grade specified and is equal to the current standard export sample for that grade. The certificate final, however, is not a legally binding guarantee of the quality of the shipment. If the customer is dissatisfied with the shipment, he may forward his claim to the Commission. They, in turn, will make whatever restitution they deem necessary for the given situation.

The Commission regulates the grading and weighing of grain, the deduction made for dockage and shrinkage, elevator shortages or overages, the deterioration of any grain during storage or treatment and the refusal or neglect of any person to comply with the provisions of the Canada Grain Act.

The Grain Inspection Laboratory provides official inspection, grading and weighing of grain and registration of warehouse receipts. The laboratory employs from 200-300 inspectors who inspect and grade nearly 1,000 samples of grain a day both in Winnipeg and at the terminals.

Most of the samples are received from local elevators where agents sample each railroad car's cargo before it departs for a terminal or mill. From these samples, the Grain Inspection Branch officially grades the grain in the car and determines protein content. When the car reaches its destination, another sample is taken as the grain is being unloaded to verify the grain grade and protein content.

The Grain Inspection Laboratory also grades "appeal" samples of grain sent in by local elevator operators in cases where the farmer and the operator have failed to agree upon the grain quality.

The elevator operator takes a sample in the presence of the farmer and sends it to the laboratory at postage cost to the farmer. The decision of the inspector is considered final by law. Appeal is on grade only as there are no premiums or discounts for protein paid to the farmer. Statistics show, however, that the use of this service is relatively small.

The Grain Inspection Laboratory also supervises loading of grain from port elevators into the vessel. On a 200,000 bushel shipment, from 8 to 10 representative samples may be obtained and graded, and a double protein determination made on each sample as well as a composite of them.

The Commission thus closely monitors protein content from first country shipping point to loading aboard ship. Assuming 100 boxcars of 2,000-bushel capacity and two protein analyses of each plus double analysis of each representative sample loaded aboard ships, it is conceivable that more than 220 protein tests are involved in each shipload. The inspection laboratory estimates their cost at \$1 for each sample.

The Canadian Grain Commission also operates a Grain Research Laboratory for basic and applied research applicable to cereal grains. The researchers are constantly striving to uncover alternative processes of baking bread; find less expensive and more efficient systems for measuring protein content in grains; isolate the effects of herbicides, pesticides, and other chemicals involved in the production of grain; issue pesticide-free certification on each cargo shipped; and conduct extensive tests on new varieties developed by plant breeders.

The licensing of varieties is administered by the Plant Products Division of the Canadian Department of Agriculture. Performance testing is conducted by the Research Branch of the Department of Agriculture or by the universities. Only a few of the total number of varieties examined show enough improvement over accepted varieties to survive the tests required for licensing.

The Canadian Grain Commission also operates a Statistics Branch which computes and publishes basic statistics relating to grain handling and storage within the Canadian grain marketing system.

Canadian International Grains Institute

The Canadian International Grains Institute was created in July, 1971, by the Canadian Grain Commission and the Canadian Wheat Board as an educational facility for the domestic and international grain industry of Canada. It is financed by the two groups on a 60-40 proportional basis which in theory gives the Institute government-

producer identification. It was felt within the industry that there was a need for a grain promotional agency similar to the type being used by other countries (e.g., Great Plains Wheat, Inc., in the United States).

The Institute provides practical training for four distinct domestic and international grain and oilseed industry groups.

The first group is composed of selected international grain buyers. A course of approximately three months duration is offered to provide these buyers with a better understanding of the kinds and qualities of grains that Canada has to offer. This course is aimed at decision makers in overseas markets such as millers, technicians, buyers, etc.

A second group is composed of Canadian personnel directly affiliated with the grain trade. They are educated as to foreign customer requirements so they can better meet the needs of foreign buyers.

The third group is made up of representatives to be assigned in existing and potential trade commission offices overseas. They achieve a first-hand knowledge of international grain markets to enable them to better serve Canada's overseas customers as well as to appraise Canada's ability to supply the import buyers' needs.

The fourth group is made up of Canadian producers. They obtain a general insight into the operation of export markets and demand for Canadian wheat.

One of the main objectives of these courses is not especially to train specialists, but instead to promote education and goodwill for the Canadian grain marketing system.

Much of the Institute is composed of laboratory facilities and processing plants that demonstrate methods of processing Canadian wheat, feed grains and oilseeds. A commercial-sized flour mill is used to demonstrate milling techniques with Canadian wheat. The 24-hour, 9-ton capacity mill has a minimum load capacity of 1 ton per 3 hours.

A five-member board of directors, comprised of a commissioner and senior officer from each of the Canadian Wheat Board and the Canadian Grain Commission, and a senior officer from the Department of Industry, Trade, and Commerce, is responsible for establishing policy directives of the Institute.

The Canadian Wheat Board

The Canadian Wheat Board is the sole marketing agency for wheat, oats and barley produced in

western Canada. Its role in the Canadian grain marketing system is that of market development, sales and grain delivery to domestic and international customers.

Canadian grain market development activities include promotion, research and analysis, and travel in foreign lands to familiarize the foreign trade with Canadian wheat.

The Wheat Board has control over grain movement from country elevators to the ports. An imaginary line is drawn through Saskatchewan. Grain grown west of this line is sent to Pacific Coast ports, and grain grown east of this line is sent to the Great Lakes port of Thunder Bay, Atlantic seaboard ports, and the Northern Manitoba port of Churchill. The eastern ports offer minimum wheat protein levels of 15, 14, 13 and 12 per cent, while western ports offer 14.5, 13.5 and 12.5 per cent.

After the grain is hauled to the local elevator by the farmer, it receives a preliminary grading and is stored by the elevator operator. From that point on, the Canadian Wheat Board has complete control of the movement of the grain into domestic or export channels.

The Board allocates shipping quotas to the head offices of the different elevator companies in 48 geographic shipping regions. The head offices distribute the shipping orders to the local elevators consistent with the kind and quality of grain required. The railroad companies are responsible for providing the optimum number of cars needed at each shipping point to move the grain called for on the shipping orders.

In addition to negotiating grain sales when dealing directly with buyers, the Wheat Board enlists the services of private trading companies (e.g., Cargill, Bunge, etc.) to act as its agents in export markets. Negotiations for government-to-government contractual arrangements (e.g., with Russia, China, etc.), which comprise a large share of Canada's exports, are completely carried out by the Wheat Board. In this case, the Board contracts and pays for the wheat transfer from in-store at a port terminal to loading aboard the buyer's vessel. With ordinary export sales (e.g., to millers in Europe), usually the agent negotiates the sale, buys the wheat from the Wheat Board, and may arrange ocean freight or even deliver the wheat overseas if necessary.

The amount of grain a producer can market is determined by what is known as his "quota acres." His quota base is calculated in accordance with the amount of land seeded to the different crops. The producer may allocate his acreage to any crop that he desires, even though he does not

plan to follow through in planting. Of course, the number of acres he assigns to each grain determines the quantity he will be able to deliver in the fall. The plan permits the farmer to employ various marketing and production strategies. One pitfall of this system is that the producer must store his grain until it is called for by the Board. If he has produced more than his quota, the producer must store the excess until the next year. This necessitates a large amount of "on-farm" storage in Canada.

The Wheat Board increases the delivery quotas for particular grains when they are needed to meet sales commitments. These increases may not be uniform, however, because grain must be secured from the area that has the kind and quality of grain demanded.

The Canadian Wheat Board pays storage to country elevators at the rate of 1/30 of a cent per day per bushel and a one-time maximum handling fee of 5 3/4 cents per bushel of dockage-free material. There are about 5,000 country elevators at 2,000 shipping stations in the 48 shipping blocks.

When the farmer delivers his grain, he receives an "initial payment" price for it which is, in effect, his floor price. The initial payment is a figure set at the port (e.g., \$3.00). The producer would receive a price of \$3.00 less the transportation and handling charges to the port. Rail charges are in accordance with transportation regulations, and handling charges are fixed by law so the producer can readily calculate his sale price. The Canadian Wheat Board contracts the transportation with both the Canadian National Railroad and the Canadian Pacific Railroad for board (wheat, barley, oats) as well as nonboard (rye, flaxseed, rapeseed) grain.

At the end of the year when all of the quotas have been met, the farmers receive a final payment equal to any profits that the Wheat Board has managed to obtain less operating costs. The Board's cost of administration is estimated at less than one cent per bushel. The price that the farmer receives for wheat moving into export (by far the greatest percentage, since the domestic market is relatively small) therefore is based on net selling price.

A separate pool is maintained for each grain, and any deficit is met out of the federal treasury. A deficit occurred only once, however, in 1940 when a loss was realized in the oats pool.

The Canadian Wheat Board is indirectly a producer organization taking control of the grain at first delivery to the elevators. The elevators, 75 per cent of which are cooperatives, are con-

sidered internal agents of the Canadian Wheat Board since they do not own the grain. The Board thus pays domestic agents to handle grain to domestic processors and port terminals, and export agents for overseas sales.

The Canadian system is strongly "export market" oriented unlike the production orientation of the American system. The large domestic market in the United States in large part accounts for this difference. The domestic market in Canada is relatively small, as about 80 per cent of its wheat production is exported.

The success of the Wheat Board rests in its ability to deliver the kind, grades and quantities of grain required by Canada's customers, and at the same time provide a "fair price" to the farmer.

The Winnipeg Grain Exchange

The Winnipeg Grain Exchange provides facilities for cash and futures markets. In the cash market, the actual ownership of the grain changes hands. Wheat, oats, barley, flaxseed, rapeseed and rye are all traded in the cash market. The Canadian Wheat Board posts wheat prices on the Exchange daily, which establishes the price at which millers, feeders or exporters can buy wheat for their individual needs. Oats and barley are offered by the Board on both a cash and futures basis.

In the futures market, buyers and sellers enter into a contract to buy or sell a commodity at an agreed-upon price for delivery in a specified future month. Oats, barley, rye, flaxseed and rapeseed all are traded on the futures market.

Although wheat is not sold through the futures market, the Canadian Wheat Board maintains representatives on the trading floor to enhance close contact with its agents, who are also members of the Exchange. The Board announces its selling prices for various grades of wheat for shipment from the various export outlets in Canada after the close of the Winnipeg market each day. These are the prices at which the Board will provide wheat to its agents to fill sales in the domestic and export markets.

Membership in the Exchange includes representatives of country line elevators, the three Western Pools, United Grain Growers Ltd., western and eastern terminal elevators, shippers and exporters, millers and other processors, grain and feed merchants, the Canadian Wheat Board, cash and futures brokers, banks, railway companies, vessel owners, commission merchants and foreign grain companies who all have a strong interest in the grain trade.

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Summary

There are approximately 5,000 licensed country grain elevators in Canada with a storage capacity of 400 million bushels. These firms are both privately and cooperatively owned. The cooperative elevators had their beginning in 1906, and have been active in the development of the Canadian grain marketing system as it exists today.

These cooperatives have played an important role in the establishment of the Canadian Wheat Board, which is the sole marketing agency for wheat, barley and oats produced in Canada. The Wheat Board controls the movement of grain from the private and cooperative country elevators by means of shipping orders issued to the elevator companies. Once in the terminal or export position, the grain is usually sold to private companies for dispersment.

The role of the Canadian Grain Commission in the grain marketing system is to maintain quality standards. Each year it establishes minimums for each grade and publishes an annual crop year report. The Grain Inspection Laboratory provides official inspection, grading and weighing of grain, and registration of warehouse receipts.

The Canadian International Grains Institute is primarily an educational facility for the grain industry of Canada. It provides practical training for domestic and international grain and oilseed industry groups, with the idea of promoting good will for the Canadian grain marketing system.

The Winnipeg Grain Exchange provides facilities for cash and futures markets. Wheat, oats, barley, flaxseed, rapeseed and rye are traded in the cash market, and all except wheat are traded on the futures market.