

**Narrator:** Dick Dawson (DD)

**Company Affiliations:** Cargill Grain

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**Summary:** In his first interview, former vice-president of Cargill Grain in Canada Dick Dawson discusses the early portion of his career in grain trading and exporting. He describes his first role with Cargill in the United States going through their training program in the country before becoming an export grain trader. He explains entering the industry during a major global shift in grain markets, agricultural subsidy policies, and fluctuating grain prices. He also describes some of the changes to grain farming, like the growth in farms but decline in farmers, changes to crops grown for profit, and the rise in value-added industries after the removal of the Crow Rate. As a grain trader, Dawson discusses managing risk in grain futures contracts, working with the Canadian Wheat Board on international sales, keeping track of global conflicts, and maintaining Canada's reputation for quality, consistent grain. He briefly describes some of his other positions, like heading up transportation logistics for Cargill's new Baie Comeau terminal and trading grains for Cargill in Geneva. Other topics discussed include labour disputes in Vancouver and Thunder Bay, interactions with the Canadian Grain Commission, the Great Russian Grain Robbery, Cargill's innovation in the grain industry, the history of the Wheat Board and the Prairie Pools, and the amalgamation of companies in both the cooperative and private industries.

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NP: This is Nancy Perozzo on March 18, 2009, beginning the interview with Mr. Dick Dawson in his home in Winnipeg. Perhaps we could start Mr. Dawson with you telling us a little bit about your early history and how you became involved in the grain trade.

DD: Right. I emigrated from England to North America in 1958 when I finished college. I had read geography as a degree, and I had become interested in agriculture during that time, so when I left school I pretty much wanted to do something in agriculture. I knew that. I remember my old Scottish uncle when he asked me what I wanted to do, and I said I wanted to leave England and do something in agriculture, and his eyes rolled up into his head. That is what we did, and I interviewed only agriculture companies.

I nearly went to Australia, but I ended up joining Cargill and went to the States in 1958, and then in 1959 I came up to Winnipeg, and I was here from 1959 to 1966 with Cargill. I went to Europe for a couple of years with Cargill in Switzerland, which is the head office of the European companies. I came back to Canada in 1969 to Vancouver, which was interesting because it introduced me to the Asian markets as opposed to the European world. In 1972, we left Vancouver, and we went down to Argentina where I was involved in the exporting of the Argentinean grains to various parts of the world. We were there for a couple of years and in 1974 came back to Winnipeg again.

In May of 1974, Cargill had bought National Grain from the Peavey organization in Minneapolis. This was a major break for Canada. We had never really had any Cargill investments other than the export elevator at Baie-Comeau, which was very big. A big investment, but we were not in the western grain collection system at all, so buying a line elevator company was a complete break for us.

I came back to Winnipeg because I knew the Canadian market from my earlier history and spent the next 20 years with Cargill growing from there. Most of that time I was involved in exporting international grain, although after we bought National Grain, I was also involved with their feed business. I was involved in the seed industry. I ended up being very much more involved with corporate affairs and international issues such as the whole of the NAFTA and then the GATT, the conversion of GATT to the WTO—a lot of those international policy issues. That is the brief track that I came down. All of it with Cargill. After 1993, when I retired in May of 1993, I set up my own consulting company and had an office downtown for 10 years and thoroughly enjoyed being involved with agricultural projects of various kinds, mostly smaller and often into other agricultural developments such as fiberboard, flax fibres, and pasta plants, et cetera, and things of this nature. It was very enjoyable. I had a very enjoyable 10 years. I didn't continue very much in the highly market-driven issues because I quickly found that you are either in the market today or you are out of the loop. To go on giving speeches and consultancies about the world market outlook was just not on. It didn't work. You have got to be in the business to be doing that. So I launched out into other areas. I stayed involved with the international policy area for quite some time.

NP: I have a couple of questions that come out of what you have just said about your excellent career in the industry. First of all, you wanted to be in agriculture. Why not stay in England in agriculture?

DD: They were the two things. I wanted to leave England. Prior to that I had been in the navy. I toured the world a couple of times and had a taste of what it was like outside England. It had given me itchy feet, I think, and made me want to get out and go and have a look at it.

NP: The other question that comes up is related to the fact that you were familiar with the industry from the Canadian perspective, the American perspective, and was it Venezuela you said?

DD: Argentina.

NP: Argentina perspective, and the European perspective. I don't know if it is too broad a question to ask, but how would you say the various countries differ in their approach to the grain trade or are there a lot of similarities?

DD: There are a few of both, but I think there are some marked differences. In Europe where a crowded place, agricultural food was much more profiled. They have tasted starvation. It is a different issue, and consequently, you have a different political spectrum and political profile for agriculture in terms of food production anyway. A complete tolerance by the people to see excessive subsidization of the business, which would probably raise ugly eyebrows in North American, et cetera, or theoretically did. I think at one time during the height of the subsidiary wars in the '80s, agriculture in Europe was about five percent of their GNP and employed ten percent of the people and took up 60 percent of the Common Market's budget. That gives you an idea of the profile of agriculture and the life of Europe.

NP: They never wanted to be in the position as they were where they were dependent upon--.

DD: It caused great conflict because the Americans and North Americans—and us included—would charge the Common Market with breaking the rules of the General Agreement of Tariffs and Trades and would object to their massive subsidization. They did go on to the point of sublimation where they became major exporters and not just feeding themselves. I think that the original treaties and the original meetings including the Treaty of Rome, there was an agreement that Europe had a right to subsidize itself to be self sufficient and safe on food, but they went on and became a major exporter dumping grain that was subsidized on the world market.

This was the cause of the friction that led to the Americans retaliating with their own heavy subsidization export programs, and Canada is caught a little bit in the middle. We subsidized our exports in agriculture as well. We had always subsidized agriculture in various ways, but no way near as heavy as the Common Market had done. The Crow's Nest Pass freight rate was a major subsidiary towards cereal grain production. That was the big difference between Europe and North America. The South Americans had their own view of things, but again regarded the common market as the "bad guy" for over subsidizing, and in fact, in those countries, they almost taxed exports of grain because they needed the currency, so they taxed their exports to raise revenues. In some cases, it was almost negative subsidization.

NP: The difference between Canada and the US, was there much difference there?

DD: They tended to subsidize very transparently, either with, A, an open deficiency payment or support price at the producer level, and then they don't interfere with the system. They then started then having export enhancement programs, which was straight subsidies at the export level at the elevator.

NP: By "they" we are talking about the American market?

DD: Yes. I think that the difference between Canada and the United States, let's say, their subsidies were all blatant, visible, and transparent when you wanted to see them as an export announcement or an export subsidiary at the elevator or there was a clear support price and deficiency payment to the farmer.

In Canada, we tended to hide all our subsidies in different ways. It was very unclear. It was hidden in the transportation to the tune of 4/5ths of the cost of the freight rate was subsidized to the coast. There were various subsidies hidden in the system that we had some export credit enhancements but so did United States. Most countries had some level of government assistance in credit. The Americans had always claimed that even the very presence of the initial price guarantee on wheat in Canada was a subsidiary. That is actually quite false. The number of times when that initial price has turned out to be higher than the final pool payment, I think I am right in saying it is two or three times in 65 years or something. It is very rare that that has happened. The government and CWB [Canadian Wheat Board] is really not a subsidiary and certainly not to the extent that the Americans would like you to believe.

NP: There have been challenges?

DD: Big rows over it yes.

NP: Backing up a bit then, and fresh out of college and taking a job with Cargill. What were your memories about starting out in the trade in North America?

DD: It was always fun! I had a tremendously enjoyable life in it. You opened up your eyes! One of the tricks Cargill would pull on their incoming Europeans was that they would put you in New York in an airplane and put you on a bus from New York to Minneapolis, and we would stop at every Cargill elevator from up the Hudson River in Albany, then on out to Buffalo and Toledo, and then to Chicago.

It took me two weeks to get to Minneapolis, which was a very wise thing to do. You have this European dimension in your minds where 300 miles is a heck of a long way. This just opened you up where you just spent two weeks on a bus to get halfway across. So I walked into the office in Minneapolis and spoke to a guy there, who incidentally is a fellow who I still see frequently and is retired too, and he said, "Fine, here is a bus ticket, and you are spending the first week of your training period in Breckenridge, North Dakota, in the Dakotas." So off I went, and I said, "Oh no, not another bus!"

I travelled a great deal around the United States in that first year and then on up to Canada. It was all very eye opening and very interesting. I have a big scrapbook of that year! It is interesting because that was the year that the St. Lawrence Seaway opened in 1959. Some big things were happening, and there was a lot of talk about the future. From a timing viewpoint, agriculture had been in a pretty bad slump through the '50s with excessive global surpluses and huge American elevators full of grain, and Americans trying to give the grain away, low prices.

All of a sudden, I think in 1956, the Czechoslovakians bought a big amount of grain, and that was the first sign of problems. By 1959, Poland bought a lot of grain, and then in 1960, 1961, Canada, Yugoslavia, and East Germany and many others. It was perfectly obvious that the Russian system was not working. Russian agriculture was not even able to feed their satellites, and by 1963, Russian herself came in a very big way in huge buying. The collapse in the Russian agricultural system had been signalled as early as 1959, and 1960 arrived with force, and in 1963 and again in 1966 with Russian buying. During that time, we also saw the first signs of Chinese buying in 1962—again in large volumes. You had some pretty dynamic things going on, and I think—check the records—but I think I am right in saying that 1963 was the record year in exports, beating the record of 1928, which is interesting to come through 35 years before you broke the record. Now there was a war in the middle of that, of course, and so on. But even so, it just shows you what was suddenly happening to the world demand in the '60s and it changed. Diefenbaker campaigned and "I am going to get you two dollars for wheat." So there was a quantum shift, and I think it was the first of the big shifts that I saw, three of them during my career.

NP: So as to not lose track of them what were the other two shifts?

DD: The first big shift was the collapse of the Russian system, which brought in a new price level and a new world grain price. The second was the first big oil spike in 1982, which again shifted and moved everything forward. If that had have taken us to two or three-dollar wheat, the next one took us to four-dollar wheat.

NP: That resulted from the increased costs of inputs therefore they had to--.

DD: Yes, and the global fertilization and a complete new placement of finances and money. You saw the arrival of big buyers like Saudi Arabia in the market. The whole world economy shifted with that first oil spike. I think this last year, where we saw for the first time the farmer got two people saying, "I want to buy your grain." One the world food industry and the grain business had primarily been a food provider. Now you have someone else saying, "I want to buy your grain." The energy industry, ethanol, huge volumes of US corn going into and other things and Canada's some grain too. There had never ever been two people on the buying end of the grain market before. Now there were two big ones—energy as well as food.

NP: Is it too early to say whether that was just a blip or whether that is going to be a continuous dichotomy in purchasing?

DD: I suspect it is a forever thing. I think there will be a over time, a declining supply of oil, so there will be a replacement for that energy. We may go to other forms of replacements, be it solar or wind energy, everything else for other energies. In pure transportation, we are likely to go on needing an internal-combustible engine for a long time. There will be a time when that internal-combustion engine may change, so that we don't need and it will be powered by hydrogen or something else. This is certainly not a one- or two-year blip. This is certainly one or two decades. I think that it is going to give us a base platform for a new level of grain pricing. One would hope that it would be at a better level, even for its own times relatively speaking.

NP: Better level meaning?

DD: Farming has not been a good business for 25 years. There were a couple of blips that were a little better in the middle. In the '90s, there were a couple of years that were better, but they were short lived and prices went back down again. Most of the increase in farmers' values has come out of the value of the land not out of the productivity.

I think also when you get two buyers there, energy as well as food, you have a competition that is healthy. I think that when it was food only, agriculture was run by politics. food is a political item. You have to keep food cheap, so we have ran cheap food policies. It was the job of 300,000 farmers out in western Canada to provide cheap food, and whether they got well paid for it or

not, that was not a big major political issue because that is only 300,000 votes. The voting power is at the consuming end of that food spectrum, not at the production end. I think that mentality hurt agriculture and hurt farming. They are really the same thing.

Cargill stayed out of farming nearly all its life wherever it could. Certainly, out of land farming. They farmed in cattle and feed lots, and again they entered it by the back door through accounts receivables and bankrupt feedlots they ended up taking them over. They never did want to farm, apart from research farms. It is different. I think that we need to see a healthy farming industry. I did one time draw a graph of Cargill's earnings relative to the farm incomes, and it is absolutely amazing. We never made any money when the farmer was not making money. It was amazing how much the interests of the grain companies actually are very much tied to the health of the beginning of the industry. If the farmer is in trouble, no one is going to make any money.

I think now we can look forward to a stronger farm income, even relative to today's costs. I am saying that five-dollar wheat today may be like two-dollar wheat to Diefenbaker's time. Last year we saw wheat shoot to a high level. It went up to \$14 temporarily and it came back down again. I think that even when it has come down it is going to stay at a much healthier level in the seven, eight, or nine. It is not going to go down to those low levels. I think that it is important that it does so. Food, in general, especially in the developed world, has been politically cheapened product for a long time for political reasons. There is a serious distribution problem. There is almost an excess of it. There is lots and lots of food available. It's just in the wrong place.

NP: Worldwide or nationally?

DD: Yes, as a worldwide comment. Plus, the same is true of its costs. In the developed world, I think food is represented--. It has come down to 20 percent of take-home pay to 15 percent and 13 percent, and it is now down around 12 percent of take-home pay in the developed world. Even within that world, that comment is true as an average. Within Canada, it would be about 13 percent or something, but there are lots and lots of people in Canada for whom food is 35 percent. You have got a broad spectrum within that average, which you have to be very careful about. Averages can be questionable as to statistical data. It is interesting that food has been cheap in general. The farmer has paid most of the price for that.

NP: This may not be a question that you can answer, but from what you have said—and certainly I have heard it before from my limited experience with agriculture and farm families—so why do farmers keep doing it?

DD: Yes, good question! Of course, they didn't keep doing it. When I came to Canada, there were 400,000 permit books, I think. There were 380,000 or something and that went to 200 and 150, 100, and today 80 percent of the crop is grown by 25,000 farmers. There are lots and lots of permit holders that have a half section or even quarter section, but they are hobby farmers that

have an outside job and are just clinging to a piece of the old family farm. They still have a permit book and still have a vote, but they are not professionally farmers and not dependent upon farming for their income.

NP: Their permit book for those that may be listening and are not familiar with it from the CWB? Delivery license, essentially.

DD: Yes. There are also now many crops that are not in that book. I mean canola is open and flax and oats are. That is really only for wheat and barley. The basic productive engine in western Canada is now probably 25,000 or 30,000 farmers, which get into its own problems because in the early days a lot of those farmers were first-generation or second-generation settlers. In the '50s, I met many farmers who had broken the homestead and they were in their eighties, et cetera. They had their own skills, but as a group would be relatively speaking often under-educated and would have difficulty following world markets. That was their weakest point. They were good at farming.

NP: Why would following world markets be important for them?

DD: To market their own product. To understand the changing world markets and to be able to market their own product. This group of people were very compatible and wanted a Wheat Board and liked having someone do that marketing risk-taking judgement for them while they got on with the business of growing it. There are enough risks in that between the weather and whatever. They are taking huge risks with their family wealth just being farmers let alone now having to go into a new world of massive risk in that tough business of selling it.

It was in that world in the 1935 Wheat Board Act or 1930 or whatever it was, and I think that was about right, and maybe 1934. There was a wide-spread acceptance and that acceptance stayed to today, and that would still be true of a majority of those permit-book holders. The fact that 25 or 30 percent of those permit book holders, or say there is 100,000 of them—I am not sure how many permit book holders there are in the Wheat Board nowadays—but a very small group grow an enormous amount of grain, and we are talking about some 4000- and 5000- and 6000-acre farmers. Then a fairly large group of smaller acreage farmers. If you have a vote about the Wheat Board, you have a very vague mix group of people voting on a basis of one vote per farmer. If you have a vote per tonne produced, you would have a very different answer to the vote. There are some agronomic signs of economic vitality returning to small farming in specialized production of certified seeds, where the buyer wants identity-controlled product coming to them. If H.J. Heinz wants to get some beans for baby food, you are going to have to baby that cargo through very, very careful channels throughout its whole life as you ship it to H.J. Heinz. That is not the business that Cargill is in.

NP: That would be the boutique farming.



DD: Exactly. If you have got a quarter section or half section from the old family farm, these people are now running successful farming on speciality-differentiated products, whether it is Quaker oats or malting barleys or whatever. They are not in the big business of feeding the world with millions of tonnes of wheat or anything else, including canola and so on. There are some positive signs about the resilience of medium to small-scale farming.

NP: A place for both.

DD: Indeed, yes! Absolutely, and that is encouraging. One might hope that we have seen the end of the downslide of the numbers of farms in Canada. It appears to be flattening out.

NP: With the downslide in the number of farms, does that necessarily mean a downslide in the acreage cultivated?

DD: No, on the contrary, the acreage cultivated has been a very static number now for 50 years. There are not many pieces to open up. There has been a shift in land use since the change in the Crows Nest Pass rate, where we had previously been subsidizing cereal grains, especially wheat. It had decimated secondary industry. There used to be a Peek Freans here in Winnipeg and biscuits and Christie's. Many of the factories all moved east and left. The livestock industry has all suffered.

NP: Just to back up a bit. How did the Crows Nest Pass rate create that?

DD: Because the Crows Nest Pass freight rate applied to the export shipment only. It subsidized the shipment of grain to the coast for export. So anybody that was dependent upon that grain in the heartland, that grain was taken away from them by subsidy.

NP: And setting up shop down east made a difference?

DD: Yes, or overseas and even trying to feed livestock. The grain that you were feeding the livestock would have given you--. If you had shipped it for export, you got a \$25 a tonne subsidy to do that. Whereas, if you fed it locally, you have to compete in the North American meat market with somebody down in Iowa. After we got rid of the Crow, there was a return to livestock business and the livestock herds went up both in cattle and in pigs in a very positive way. Livestock became a more balanced factor. Doc Renee in Saskatoon, the Dean of Agriculture in Saskatoon, said that the Crows Nest Pass freight rate had decimated the fertility rate of western Canada soil by 50 percent since World War II.

NP: Was that because of the single crop?

DD: Yes. If not the single crop, repeat crops. It's not much of an agronomical rotation to go from wheat to barley to oats. It is a cereal extraction, and it wasn't until the arrival of canola as a new seed in the '60s and more so in the '70s and today you had a really good, viable alternative crop. Before that, there was some flax and a few things, but basically canola had a huge positive effect on western agriculture as a diversion, as a rotation subject.

NP: And a beneficial effect on the soil?

DD: Absolutely. There had been years where the acreage has been as high—I forget the highest acreage—but it would be up around 10 or 12 million. There have even been years when the dollars generated by the rapeseed crop has been equalled to that generated by wheat. It is not a second sister, but it is a very big important crop. The Crows Nest Pass freight rate made the first shift by reviving the livestock industry and that meant a return to alfalfas, clovers, forages. Those came out of lands that frankly were poor wheat-producing bands. The only reason why southern Sask was growing export wheat was for subsidy. They were averaging 20 bushels an acre and expecting to be subsidized to be kept in business.

NP: Was there a short-term pain for long-term gain?

DD: Yes, there was some pain in the shift. There is a pure cost in equipment. You can't just make a major shift in farming without there being a fairly hefty price to be paid by the person making the shift.

NP: Because the harvesting is different?

DD: The harvesting equipment, the equipment on the farm, the kind of trucks and tractors. As farmers went back to some forage farming, there were some costs.

NP: That they had to absorb?

DD: Yes. There were some funding assistances in various kinds to help with that transition. But for the most part, it fell on the farmers.

NP: I am going to shift gears again and go back to your early time with Cargill. When you took the job with Cargill in Minneapolis, what was your job there?

DD: The first three months, we were on this very famous Cargill training program.

NP: What makes it famous?

DD: Oh, I don't know. It was just generally known.

NP: You can't tell that story?

DD: No, it was just generally known and a bit of a laugh throughout the industry that Cargill used to hire out a lot of other people who was sort of prepared to lose some. There was only X amount of room in any one company for so many people to grow. So there was a drop-out rate, and the industry got full of people who had done their training at Cargill, so not unlike this one.

NP: They were like a training school?

DD: Not unlike the union leave of Proctor & Gamble's in retailing. But then I went into the Minneapolis head office and got involved with the export trading of wheat, and I was involved with the export trading of milo sorghum from the southern States.

NP: What does an export trader do? What would a typical day be like?

DD: You would be following world markets through your European offices and knowing when the bigger buyers were getting ready to move and being ready to be there the day that they did and keeping offers under their noses and staying competitive. We sold a lot of grain to the UK, the British millers, and also to Europe and Germany, et cetera.

NP: Do they have—and the word that comes to mind, and it may not be, and I don't think it is appropriate—but do they have sort of a spy network for--?

DD: Communications were primarily international telexes. Cargill had its own wire system, which was fairly rare in the early days. But communications were very good and very rapid. You knew when buyers in Europe were coming into the markets. You would get a wire from the European office or from, if you didn't have an office in that country, you had an agent that you worked with and he would say, "I want to have an offer on 150,000 tonnes of wheat" or whatever it was, and you would make a list of those offers every night to the various offices, various kinds, and various quantities. Those offices would usually reply by 9:00 the next morning because the market was opening in Chicago 9:30 or 9:15, and you wanted to know what you had sold so you could cover it if you had to.

NP: Cover it meaning?

DD: By futures is the hedge against it. You had made a sale, so you would want to buy--. The big corporations in the international business are not in the business of taking huge risks. Your management skills are in the business of eliminating risk or minimizing it. You don't eliminate but you manage it. When you are trading all kinds of volumes like that all around the world in different offices, you can image that it would be very easy for a company to get out of hand on risk, unless there were tight disciplines in place.

NP: What would be an example of a risk that had to be covered?

DD: The primary risk is the risk of price. There is a risk of supply, you know, will be there. But theoretically you could always buy that out if you ran short. If you owned the futures, you have covered price. If the price is sold at \$3 per bushel, by the time you ship it is \$3.50. But if at the time you sold you bought futures equal to that \$300, you have now got a profit in your futures that pays for that change. So you have covered the price risk.

You have not covered the delivery risk. You have still got to go and get that grain. As you buy it in the country and get it into your elevators, you would reduce the futures that you have because you now have the cash grain itself. I remember selling, for instance, rye, which we would collect in Thunder Bay, and car by car we would come down and have brokers in Winnipeg to collect cars for us and we would buy 4, 5, 6 cars every morning. We sold about 200,000 bushels or 500,000 tonnes of rye. Over a period of two or three months, you would buy in the supplies in the elevator at Thunder Bay and put a ship in and ship them down to Walkersville for whiskey. All the other businesses are that kind of mentality on a much larger scale. That is a specific instance where you make a sale, buy the rye futures to take its place, and gradually sell out the rye futures as you buy the cash grain, which is really what you want for the supply.

NP: Was that part of your job or did you just coordinate it with the--?

DD: No, it was my job.

NP: To do the risk management?

DD: Yes. If there is a difference between a grain salesman and a grain merchant, there are no grain salesmen as such. Very few anyway. Merchants have to both—buy it and sell it. You are responsible for the complete transaction for both ends, the person who provides you with the product and the person that you sell to. There is a complete merchandising job. When you are a

salesperson, you often--. For instance, if you are out in the west selling shoes, wool or feed, you are told to sell so much per volume per month at this price, and you run around a series of buyers, but you don't make the decision about what price it is going to be sold at, not very often, or within a range or limit. Originating it is not a problem. There is a difference between selling products and merchandising. Does that make any sense?

NP: Yes, it does make sense. Layered on top of that, if I am interpreting correctly, is in my mind I am just thinking back to the old days when there would be an actual person that would go out from Winnipeg out to an elevator and actually see what he was buying and then actually face-to-face with the person once he had it was taking it to making an end product. Layered on top of that, because there is that aspect of it, is this risk management which is a very complex--.

DD: In the business of wheat--. In the early days, in those days in the '60s, the Wheat Board had the same control as it has today. The Polish delegation would come to Canada and go to Ottawa and sign a nation-to-nation, high-level entente cordiale letter. Then they would come out to Winnipeg and negotiate buy 300,000 tonnes of wheat from the Wheat Board. They would often come to us first and ask us what was going on because they wanted to get a feel as to how things were out there before they did their negotiations with the Wheat Board. They were trying to get an assessment as to how hungry or otherwise the Wheat Board might be. So we used to be rather coy about some of those things and careful about what we said, but we knew the Poles very well.

When they negotiated with the Wheat Board, they determined the price for the 300,000 tonnes of wheat in store Thunder Bay or in store Vancouver or in store Montreal, and having done that, they then went to the hotel and received all the members of the trade then we made offers to them. We all started from the same base price from the Wheat Board, and if we sold them 100,000 tonnes, we then went back to the Wheat Board, and we bought the grain from the Wheat Board. But the Poles wanted to buy that grain delivered Gdynia or delivered Gdansk or somewhere in Poland. So we had to get it from Thunder Bay to Baie Comeau. We had to put that into our casting the whole timing of it, the shipping of, the insuring of it, et cetera. If the Wheat Board price had been \$90 a ton, we might be selling it the Poles for \$120 a ton with all of these extra things put in. That system worked very well all through the '60s, and yet the Wheat Board had ultimate control over, A, how much the price was, and, B, how much was to be sold. Gradually over the years, it became the policy of the Wheat Board to remove the private trade from that business altogether. They started to sell directly to the overseas buyers themselves.

NP: When would that change have started? Can you recall?

DD: It would probably be in the late '60s or early '70s, it began. They got bigger and bigger with each sort of passing phase.

NP: Any speculation on why that changed?

DD: They felt that they could do it better. There was no need to pay or allow another profit maker in the middle. I think that would be their answer. In fact, I don't think that was true. I think that the private trade in general ran the logistical business of getting all of that grain into elevators and out faster and better than the Wheat Board did it. It was particularly true of Vancouver, where they ran into a series of fairly bad delays with 30, 40, and 50 ships waiting. Not 50, but 40 ships waiting for long periods of time with the wrong amount of grain and the wrong place at the wrong time to feed them. People in the private trade, you don't keep your job long if you do that. You are encouraged to go and find other work.

NP: That is in the logistics of moving the grain in and out of the elevators?

DD: Yes. That is a big element of the business when you start to move huge quantities. Efficient movement is very key, and you can't have ships rolling up for grain and waiting three weeks because it is not in the elevators.

NP: That is very costly I understand.

DD: Yes, very much so. One of the issues that we saw—I mentioned to you, you want to use others as you do other interviews—that over the years there were many harmful labour disputes at Vancouver which gave the port a poor reputation and caused, on many occasions, some very bad delays. In general, there would be one or two minor exceptions to the common, but that was not true at Thunder Bay. At Thunder Bay, when I first started moving grain from there, the union head was Frank Mazur. The general tone of relationships between the elevators' owners, the shipping companies and the unions was at a much more constructive level. They each had their job to do, and the union--. There were strikes at Thunder Bay but not very many and not very long. In general, we signed agreements mutually to the benefit of both sides. The general movement of grain through Thunder Bay, the number of days waiting for a car, was much faster at Thunder Bay than Vancouver. The whole system operated more efficiently. I think efficiency came out partly better because of rapport between management and labour. It was important.

NP: What do you think the issue was in Vancouver that--?

DD: Very difficult to say. It was a very strained relationship for many years, and it was just not a good relationship. Very hard-line unions would be the general charge by the industry, but in fact, you could make a case that there were some very stubborn and old-fashioned management thinkers at the other side of the table as well.

NP: Butting of heads?

DD: It was a very bad situation, and it would be wrong to say that any one side was more to blame than the other. When I was the manager of that Vancouver office, we had a major labour dispute, and the recalcitrant attitude of the management group would be at least 50 percent responsible for that strike.

NP: Would these managers have started on the Prairies, or would they be sort of mixed--?

DD: Some would have done. Many of the elevator operators were from Vancouver. It certainly was expensive for Canada, and it was expensive for the farmer—totally out of his control—and caused a lot of grief. I think it caused Vancouver to be a sort of premium port. Ships didn't want to go there because of the frequent disputes.

NP: What led to things calming down, would you say?

DD: More rational people, I think. Finally, the arrival of some less hard-nosed people. People more prepared to recognize and respect the other side. It is certainly a great deal better today than it was in the '60s.

NP: I don't know which direction to move in here. Whether we continue with your career and maybe that is the best way to do it. Before we do though, you said you were responsible for milo?

DD: Yes.

NP: What is milo?

DD: Milo is sorghum.

NP: What is it used for?

DD: It is like a little corn for feeding cattle. It is also used in vodka. It is a cereal grain. It tends to grow in the drier climates. You move into milo when you get too far south for corn.

NP: Can it be grown in Canada or is in an American crop?

DD: No.

NP: Just too far north?

DD: There is a tiny little bit grown in various parts of southern Alberta, but not very much.

NP: A more desert like areas?

DD: Yes, and it is used for cattle feed.

NP: Where did your career take you after? Can I ask you this question, and it may not be one that you want to answer. You talked about managing risks, were there ever any close calls?

DD: Yes, we had some hairy times, I think. We had sold the Polish government a bunch of wheat and barley—wheat I think mostly in October 1963, or was it 1962. The October crisis in Cuba when John F. Kennedy was there. On a Friday night, we loaded the grain, and your insurance doesn't kick in until you have received the 10 percent down payment, and the 10 percent down payment triggers the government's insurance on the balance. On the Friday night, we loaded a big ship, on Saturday we loaded a big ship, and on Sunday we loaded. We had three large, 35,000-toners was a big ship in those days, on the water, sailed, and on their way. We had no insurance, and here was Khrushchev pounding his shoe in the United Nations. We didn't know if we were going to get paid or not.

You would have letters of credit against that 10 percent in your banks, but those were often in European banks, and very often in the Moscow Narodny Bank or in Banque Commerciale pour l'Europe du Nord in Paris. But it was a hairy time. I remember that being a worrisome weekend. You would have to watch international events pretty closely, whether you were shipping grain to the Middle East—to Egypt and Israel—anywhere there were skirmishes going on. And of course, throughout that time shipping grain to Korea and to Vietnam was not allowed, or very difficult, and there were always problems there.

The world freight markets are often regarded as being one of the most early and sensitive indicators of problems. They tend to move and send out funny signals long before anything else goes. You want to book a ship to somewhere and the ship owner says, "No I don't want to go there." And you say, "Well why not?" "Because I don't have to." And sure enough, two weeks later you find that there is a real problem there.

NP: Was that just because they have their ear to the ground because they are there?



DD: They have a wonderful telegraph system of problems, and people in the financial world watch world freight rates because they get signals from there that something is going wrong.

NP: This is something completely new to me, but in talking to people about what is happening currently in the world shipping freight markets and how it was very difficult to get ships on the Great Lakes recently because of the massive trade plying back and forth off of the West Coast into China and then how now or even--.

DD: It crashed. It went down 85 percent of its original high.

NP: In a fantastically quick amount of time.

DD: Yes, in a very short amount of time. It is interesting that in the last few weeks, it has recovered.

NP: Let's hope that is an indication.

DD: The financial world is watching with interest. It means that bulk commodities are beginning to move again. That means that natural resources are needed, be it iron ore or coal or whatever it is. The freight markets have stabilized and have, in fact, come off the bottom and they are climbing. In fact, twice the low, so they are showing some strength.

NP: Did you every loose shipment through crash or sinking?

DD: No, we did not. Others did and there were times when ships went down, and of course, there were some on the Great Lakes.

NP: During your time?

DD: Yes, the sinking of the *Edmond Fitzgerald*. There was a song about it.

NP: The *Edmond Fitzgerald*.

DD: Yes, it was one of them. I think she was in iron ore when she went down. It is a cargo when it shifts, there are going to be a problem. That was a particularly bad storm. I think that was in the middle '60s. That wasn't the only one. There were other times, you know, when they would hit a bridge in a river with one ship a couple of times. One ship hit a bridge in the Fraser River in

Vancouver, blocked off Vancouver for ages. The railroad couldn't cross the bridge. It is a risk factor that is out there, but it is not a major issue. There wouldn't have been half a dozen of those in my career.

NP: What about quality issues? Thinking back, was quality issues ever an issue, or was that pretty well handled as well?

DD: It is probably the strongest area of the Canadian system. The Wheat Board is a trading organization involved in marketing. The Grain Commission is the policeman of the business and the regulator. It is as a government agency, and I think it is one of the most efficient and valuable. I don't want to use the word bureaucracy because the wrong thing comes to mind, but as a bureaucratic organization designed to be a regulatory, it is extremely efficient. You never had to argue as a Canadian with the buyer about the quality of your grain because you knew you were going to get a government certificate of weight. So he was going to get an accurate weight, and he didn't have to feel that he was being cheated on the weight. On grade, he was going to get the grade he paid for. On soundness and cleanliness, the ship was inspected before it was given a loading certificate and a port warden's certificate, et cetera. So all these official certificates were so strongly endorsed by practice that it made it much easier to sell Canadian grain. As a seller, there was a world-wide respect for those documents.

NP: Your having worked out of the Minneapolis office and then later out of—and we haven't moved there yet—but the Canadian marketing, you actually saw that in your experience?

DD: Yes. Like all of these things, when you opt for regularity, discipline, and so on grades, it gives you a benefit in selling, and the buyers knows that he is going to get No. 2 CW wheat, and he gets the very similar product every year. He knows what it looks like and how much bread he can make it and what he needs to buy as a mix. It helps him plan.

At the same time, we virtually eliminated by that system—or made it very difficult—to blend. If you had at your elevator at Thunder Bay No. 1 and No. 2 and No. 3 from the Wheat Board, you couldn't just automatically take some No. 1 and No. 3 and blend to make 2. That grain really didn't belong to you. You were the warehouseman of it, and the certificates belong to the owner. The warehouse receipts belong to the owner of the grain. In that sense, the Wheat Board, when it ran short of grain, would sometimes organize with you, and you would go to them and they would say, "We need more 2s and less 3s. Can you make some for us?" It was done under a joint effort, but it was not very often done, and it wasn't easily done.

In the United States, it takes place every day with great efficiency because they bring in different grains, and as a manager, they know what is in the different bins. And when their head office calls up from Minneapolis to Baton Rouge and says, "We can sell X amount of sales, could you make it?" and the guys says, "Yeah," as the manager, he had better know what he is talking about. And he will mix and make 2 yellow corn out of what he has got in the house. Now, there is a tendency then for the 2 yellow corn

from one year to be different from the 2 yellow corn from another, or in wheat, and even from month to month. There can be some variance.

NP: And sometimes that makes a difference and sometimes it doesn't.

DD: Right. It certainly enables them to pay the farmers more money because they know the intrinsic value of some 14.5- or some 15-protein wheat. The market is not going to pay you for it. The buyer wants a Honda not a Cadillac. The buyer wants 13, and you happen to have some 15. The best thing you can do with some 15 is to mix it with some 12 and make 13. You will make far more money and be able to pay the farmer a bit more for the grain. We don't do much of that. Our regulatory system is not flexible enough to do that.

NP: On balance, what would you say the result--. Is the extra caution is worth the pay back or--?

DD: Oh, that is a rough question. I think that changes with the times. In the old days, large quantities of bulk shipments of uniform variety was the key. Today, the buyers have got more specific demands and are more differentiated in what they want, and it would be more important to listen to what the buyers wants today. In the old days, you could turn around and say, "This is what we have got buddy. You need wheat and here it is." He wasn't in a position to get too fussy with you. That is not true today.

Buyers today are very fussy. So, you would shift today and say there would be more benefit and more freedom to blend and so on than there use to be. Factories, elevators, are now manufacturing plants. You make what the buyers wants out of what you have got, and you go and collect it for him. You can pay a farmer in southern Saskatchewan a premium for that 15-protein wheat at a higher level if you can blend it. You are not going to be able to sell it for much of premium. Not many people want it. It is too beautiful. Its biggest value is in blending its strength to some other stuff. That kind of subject gets to be very big when you talk about Vancouver drawing grain from the higher-protein, drier areas of the central prairie and mixing it with lower-quality grains from the Peace River. If you don't blend that Peace River grain with the good grain from the Prairie, you are failing to take advantage of the majority of the power that you have got. If you have to sell each on their own merits, you would be selling No. 4 out of the Peace and No. 1 out of Saskatchewan.

NP: I guess in talking to some other people about this—in particular a fellow who was a terminal elevator manager—he was saying that it was a true asset to have a person at the elevator who was an artist, almost, with the ability to blend.

DD: Right. Absolutely. Because of their daily practice in and out all the time, the Americans are better at that than we are. Some of our people are very good at it, and they will certainly do it in other grades, other wheats, and other products. But wheat in

general, it doesn't take place a great deal. It does happen and it will happen particularly when the Board gets into a crunch, and they have got not quite enough to 2 Northern in a house. And in order to go to another house, you have to pay another cross-harbour fee, and all you need are 30,000 tonners an extra 2000, and you can avoid doing a second harvest shift and three- or four more-days' delay over a tiny quantity if you can bleed in gently. And the skill at doing it--. You can't plug the grain or just pour a piece of it with No. 3 you have to bleed that three in so gently with each little bit of tonne, that it disappears and is not even noticed and doesn't change the grade of the basic thing. It is an art. It is a skill.

NP: Learned on the job!

DD: Damn right!

NP: You are not trained to--.

DD: Yes, it is difficult to do. You have to work with an old pro to learn that stuff.

NP: Let's go back to continuing your career. You spent—and you did tell me—between what years and what you--.

DD: During the '60s I was doing a lot of business to Russia and getting Baie Comeau to run. We had built Baie Comeau in 1959.

NP: You came in 1959?

DD: I came in 1959. We opened up the elevator, and it was designed to take lakers. It was at the salt-water point, so it was in salt water. Its purpose was to take Seaway grain and put it into big ships and ship it out overseas.

NP: Built by Cargill?

DD: Yes.

NP: Why in Baie Comeau and not someplace in the US?

DD: Because Baie Comeau was the best port the moment you hit salt water. Even the water at Baie Comeau is a bit brackish. It is not quite pure salt. A ship will take an extra foot of draught into the salt as they come out of the fresh water. So we wanted to go there and get the salt-water depth. It had 40 feet of water, so very good deep water. The lakers could go down because they were

designed to go down and pick up iron ore at Seven Islands and Contrecoeur. They would bring the iron ore back to the US iron belt—Cleveland, Toledo, Chicago—and then back to Thunder Bay and back down to Baie Comeau and up to the Great Lakes and back down. We did that with all of the Thunder Bay ships for many, many years. That was basically my job in the '60s.

NP: How did you shift from the export side of things to--.

DD: After I had been to Winnipeg--.

NP: How did you get to Winnipeg?

DD: I came up to Winnipeg from Minneapolis in 1959.

NP: Okay Directly into Winnipeg?

DD: Yes.

NP: Okay.

DD: Then I was here until 1967, and then we went to Europe. I was married here in Winnipeg in 1967. Joan is from Winnipeg, and we went to Geneva. Then I am at the other end of the game. I am the guy who is wiring into the Winnipeg office saying, "I need an offer on three cargos for so and so in Paris or Holland or wherever it was". I was at the other end. Actually, when I was in Geneva, I was handling soybeans not wheat. I was buying from the States and Argentina.

NP: From your view before you were looking out from North America to Europe, looking back from Europe to North America, any insights about how the industry is viewed from abroad, difficulties of operating in foreign countries, any comments there?

DD: When you are looking at the States, you have to buy carefully. You are buying from the open-market system, and if large buyers are moving at that time, the market will get firmer and difficult to trade. In Canada, it is probably the only market in the world where you can walk into the market and buy 2 million tonnes of grain in 35 seconds and not move the market because there is no market. There is just Wheat Board.

NP: Is that a good thing or a bad thing as an agent over in Europe? Is it easier?

DD: It is almost an advantage because you are not going to move the market against itself. You can trade a larger quantity and get it covered more easily. It is more dangerous to trade in American grains. There are greater risks. Whereas, in Canada you would know it was available, and you would know the price that it was available at, and you would go ahead and sell and cover in five seconds or five minutes in one quick telex. "Go and buy 100,000 tonne." It is just a different system. There are times when the one is an advantage and there are times when--. One used to hear the Russians always came here first because they liked our quality, and they liked the security of knowing what they were getting, et cetera.

NP: Not true.

DD: They came here because they could buy so much more from here without moving the market. If they had bought that much of the States, the market would get a smell that they were in the market buying, and it would be on its way up. They could come here and, heck, in a period of three weeks they had bought, in the '60s, they had bought 15 million tonnes of grain on the quiet without even anybody knowing it.

NP: Yes, I believe I read somewhere that was called the Great Grain Robbery.

DD: Yes.

NP: Why was it called a robbery? Were you aware of the story behind that?

DD: Yes. It is the idea that you could get so much grain so cheaply without moving the market. The feeling of course is that afterwards when the world wakes up to the fact that the Russians were buying large quantities, and after he left here he went to the States and bought another 20 million, but the market was on the rise. It looks like the average price for that year is very high and you sold near the bottom at the beginning. There is a feeling that you got robbed.

NP: Because they were able to keep things under wraps?

DD: Yes, that is where the language comes. It is a little unfair, and it is not quite true. Plus, you never know at the beginning how much they are in the market for. I remember when we had built Baie Comeau—in 1959 and 1960—when the Russians came in 1963, we had only really had two warming-up seasons to figure out how to run the place efficiently. Bill McNamara, the head of the Wheat Board, came to us very much confidentially and said he needed to talk to us. The question was how much grain could you put through Baie Comeau? And we wanted to say, "Why?" But the smell was on. He had got a buyer who was needing a large quantity. There were already rumours out that the Russian crop was in trouble. It wasn't completely blind.

When we built Baie Comeau, we had a deal with the government written right into the agreement to build in Baie Comeau that we could use 40 percent of the space for United States grain and 60 percent for Canadian grain. If we wanted to exceed those numbers and go above 40 percent for US grain, we had to have the permission of the Grain Commission first before we did it. On the basis of 60/40, they were looking at the elevator, the Wheat Board was, if there is going to be a rush on grain, they will want to use all American as well. The guy I worked for was a fellow called Earle Green here who oddly enough was an American, but he had been here since 1950. He went to Minneapolis on the phone and in a loud voice said. "We should tell the Wheat Board they can have the whole thing. It will do more good for this company in Canada in five minutes than any other thing you could do."

You have got all kinds of elevators, and if there is going to be a run on grain, you are going to do well at Norfolk, Baton Rouge, New Orleans, Seattle, and the other 22 terminal elevators that you own. Let's use this one for the one to get the most grain out of it, and we will do well at it. He won that argument, mostly because of another guy in Minneapolis who was very much with him on it.

We replied to Bill McNamara 24 hours later and said, "We expect that plant has got a capacity of 5 million tonnes," and Bill Mac said, "What?" "And you can have it all." He had thought that it might do two or three. It enabled him to increase his sale to the Russians immensely. He never forgot that. He was very, very pleased about that. It was fun to do, and it was enjoyable, and we had a very good working relationship with him.

In the years that followed all the way from 1963, 1964, 1965 to 1966 and on through those big years, we did an enormous amount of business out of Baie Comeau with the Wheat Board. We were responsible for getting it from Thunder Bay to Baie Comeau. It was my job to make sure those logistical shipments were always in place when the ocean boats arrived. I remember Senator Paterson calling up on the *Comeaudoc* and saying, "Why have I been pulled out of line?" If we had to pull a ship out of line because we needed the grain on the one behind it, because the ship on the dock needed an extra 10,000.

NP: Would you cover the costs of pulling them out of line?

DD: No, we reserved the right to pull out of line.

NP: As part of the contract?

DD: But he said, "I will be watching, Dawson!" [Laughs] A month later and you pull someone out, and he is the one who gets bumped up. "Even?" [Laughs] You tried your hardest to keep them in line, but sometimes it just didn't work. We averaged on the

whole season less than 36 hours turn-around on both lakers and ocean ships. Nobody ever waited in Baie Comeau. You would wait a day that was it.

NP: I was talking to someone the other day who had mentioned that when the elevator was built—and maybe this is something that you know nothing about—at Baie Comeau there was a structural issue and it split. Were you around for that story and what happened?

DD: The elevator was built on a big incline, and the two big tanks at the back goes up this incline and it was a rather unusual design.

NP: Do you recall who designed it? We have a special interest in elevators, which I will talk to you about later.

DD: I don't know the architects of the thing, but the Foundation Company of Canada built it and that is who our lawsuit was fought with afterwards. You are into the business of proving lost earnings on an elevator that had never been built. How do you prove what those earnings would have been? The court case went on for many, many years. It was split into a criminal suit because there were structural material missing in the concrete and specified that wasn't in there. Then there was the civil suit for the lost earnings. It dragged on and on in the courts and for many, many years and we finally won it. We won the criminal suit very quickly. I forget just about how long, but about a year or two. The civil suit went on and on and on for ages, like 10 or 12 years.

NP: This information would be available at Cargill archives? I am interested in the structural aspects of the elevators itself.

DD: Yes. It would probably be in Minneapolis, rather than here.

NP: Okay.

DD: I suspect. In those days there were 10 kids in the Winnipeg office, three in Vancouver, and four in Montreal doing forwarding, and that was it.

NP: As opposed to now?

DD: Now there are about 4,000 something like that in various businesses. Feed, seeds, fertilizers, cattle, chicken, meat, sugar, chocolate--.



NP: Now that is 4,000 in Canada?

DD: 4,000 in Canada.

NP: Wow!

DD: When I joined Cargill in Minneapolis in 1958, there were 3,000 worldwide, I think. Today there are 150,000 or something like that.

NP: What you have said explains something that was said earlier that the grain that was lost at the time that the elevator split was Canadian grain. I thought, "How do you get Canadian grain and non-Canadian grain?" From your 60/40-story, that tells that story.

DD: Yes. There were many times when we had American grain in there most of the time. It would be between 10 and 20 percent or even 30 percent of the space, and we would be churning the Canadian grain through the other space. Those big bins—I forget the dimensions, but I think it was about 12 or 14 million bushels—each of the big bins holds 3.7 million each. There is 7.5 million just in the two big spaces. They are huge. I think you can put 20 basketball pitches on the floor of the bin, and they are huge. Then they are interspaced with 5,000-tonne bins halfway up and then out. That is another bunch of space, much more flexible space. When you get that big space once opened up and you start putting wheat in it, you are stuck with the wheat for 100,000 tonnes of it in one bin. It has got thermocouples all the through. You can read the temperature of the grain at 8-foot cross sections all through, with the way it is designed. So you know if you have got a problem. On one occasion we did get a problem. We had to get in there and get it out.

NP: Just some--.

DD: Heating.

NP: Poor quality grain that--.

DD: Some moisture got in there, yes. In general, it has worked very well and been a very successful elevator, churned through an enormous amount of Canadian grain.

NP: Is that the latest elevator constructed in Canada?

DD: No, because Prince Rupert followed afterwards on the West Coast.

NP: Okay.

DD: But it would be the last on the East Coast. That is not true. Dreyfus built an elevator at Seven Islands there further up the coast, just a little further up.

NP: Afterwards.

DD: Yes. For many years we had expected after the opening of the Seaway, you usually got a good idea in this businesses and in most businesses and it works that somebody will follow you. Nobody followed us for about 10 or 15 years, which surprised us. We were glad of, but it surprised us.

In general, I think I enjoyed working for a company that dedicated itself to doing the things first. The name of the game is not to be continuing. You have to think out of the box and do the next thing that is going to be developed. Even when I was in the States in the late '50s in 1958 and 1959, they were already running unit trains down what they called the Metal River.

You have Illinois coming down from Chicago and the Mississippi and the Missouri coming in here and the Arkansas and all those big barge traffics coming in there, and running in between the Mississippi and the Illinois River is the Illinois Central Railroad—right between them. So rather than hauling grain 100 miles east or 100 miles west of the river, you have a railroad running down the middle, so you put unit trains on it, and you pour the grain into what was called the Metal River.

People said, “Why would Cargill deliberately develop a highly efficient system of unit trains to run from Illinois to the Gulf when they owned so many barges on the river? They are going to put their own barges out of a business.” The answer is that if it is going to work, it is going to happen anyways. Someone else is going to do it. If there is going to be innovation happening here, let us lead them and we will make our adjustments to what it does to our other businesses.

You saw Cargill leading the way in unit trains and building their own cars and doing this sort of thing and then the new elevator at Baie Comeau to take advantage of the Seaway. Almost everywhere we went, whether it was building a new little rapeseed cleaning plant in North Battleford when rapeseed first started—a speciality plant just for rapeseed—everything we did we tended to always be on the front doing something new and different. That was always fun and exciting, even to the building of the Duluth elevator. At Lakehead, your people would be interested.

The idea was to eliminate the virtual connections. We used to move the grain in an elevator in a truck and drop it in a hole, onto a belt and up a leg onto a distributor and down out through a distributor and out to a bin and down a hold. You have got eight crash connections for dust making and dockage. They built Duluth, and the grain drops onto a sliding conveyor belt and is taken up on a very long belt that is a quarter of a mile long to the top and dropped through controlled spouts, which limits the speed at which it will drop, and they drop so that they are always 4 feet above the pile. At no point-- You could drop corn which tends to break and shatter very easily without creating any dockage and foreign material. You eliminated corners in elevations. If you drive past the Duluth elevator, as you go down the highway, you can see these flying belts going in all directions doing the lifting, not buckets, not legs. So you started to handle grain with far lower losses in quality and in quantity and in danger and risk and dust. That elevator design was important in those days.

Remember we went through a series of explosions in the grain industry--down at Destrehan and the southern states and on the Mississippi River at New Orleans?

NP: Two in Thunder Bay as well.

DD: Yes, that is right.

NP: There was the loss of life in 1945 and in 1952 and after that.

DD: Yes, there was one after that Cargill's elevator.

NP: Yes.

DD: That must have been in the '60s. They are horrendous things, grain explosions. I mentioned it because I think it was this air of this difficult to identify innovative spirit--this constant hunt for a better way to build the mouse trap--that has been absent in Canada because you have not had the drive that comes from the freedom to own it. It didn't matter whether you spent an enormous amount of money on your elevator at Thunder Bay. The amount of wheat that you got to go through it was determined by Wheat Board. You could have the best elevator in the world, but you might not get any more grain. You couldn't turn your investment to pay for itself by being better. Regulatory shares of quotas on arrival determined how much you would get.

NP: Unless you were specializing or searching out the other crops that the--.

DD: But then you are down to miniature quantities. If you enter the big grain business, the name of the game was getting an increase in your car quota. Well, the car quota was allocated out on the Prairies on a complicated formula system of how much empty space there was. It had nothing to do with how good you were. That absence of the reward for excellence and for efficiency has hurt the Canadian grain industry and the Canadian farmer as a result.

NP: Have you seen a change in that attitude at all or is it still--?

DD: Only really in the last five years because you have seen the whole, huge structural change. A lot of it is philosophical and the grain industry is often called 14 percent protein and 86 percent politics. [Laughs] You had the co-op versus the private trade and the Man Pool, Alberta Pool, Sask Pool and their corporate motto was "Service at cost." That was their logo, "Service at cost." It is difficult to do, but you have to persuade people that profit is essential to your future survival. A profit! An abusive profit—go to jail! But if you don't have a profit, how are you going to replace the legs, keep the place safe and rebuild and reinvest money, et cetera? You have to make a profit. Any business running a service business at cost will go bankrupt. You are only debating how long it will take. In the case of the co-ops, it took 50 years.

They have gone because they didn't make any money. Margins out west are very low. Nobody made any money. Service at cost is a false economic idea. One day you had to have had some money in order to train people, hire good people, spend money teaching them and getting them educated, doing stuff, building better plants, replacing real estate, innovating and trying new things. Profit is a fundamental requirement of longevity in business.

We have done some studies of the world's longest lasting companies including the Hudson's Bay Company. Why did the ones disappear? They disappeared because they didn't make money. How much money is reasonable and sensible is an open debate and can be discussed, and there are times when abusive profits and abusive things are very much to be condemned. Some of that has shown up in the last two or three years between Enron and World Com and a few others in the current kind of disintegration of American capitalism. There was some fair amount of greed and avarice in there. It is a nasty side to the free enterprise, capitalistic dream. It has to be controlled.

NP: I guess there is also a definition of cost because if you put cost for replacing or upgrading or cost for training, et cetera, and then the cost--.

DD: That is right. I am talking about real costs and not talking about spas and private jets and people living on tropical islands, et cetera. That is not a cost.

NP: Since you are talking about--. And I think probably this should be the last topic for today. Are you willing to go for another one at another time? You started to comment about the change in the disappearance of the Pools. Just say more about that. I am particularly interested in what impact you think that will have, negative or positive, on let's say the companies like Cargill or Richardson's, et cetera, and on the farmer too.

DD: The Wheat Board subject itself, when I said coming in at '34 almost made a lot of sense. You can understand it though this large body of farmers not able or qualified to keep in touch with world markets every hour, and today the farmer who is bringing in 80 percent of the crop, this 25,000 guy is sitting in his cab with his laptop trading grain on the futures market, while he is harvesting. I mean a highly sophisticated individual with a very strong educational background. The CWB may well have been right at its time, plus the fact that in the '30s you had an economic depression of huge size anyway, but also wheat as a piece of the national GNP was about three times as big as it is now. Even on the Prairies, in agriculture economic on the prairie, wheat was huge.

NP: Wheat was king.

DD: Absolutely. Today, the livestock income on the Prairies frequently exceeds the total income from all grains. Within the grain sector, wheat is no longer king. Canola is or right alongside it. Things have changed a great deal from the days where the government said, "We need to put in place a controlling mechanism. It is too important for the nation." It was probably a true comment in 1934. It is not true in 2009. Supporting that group was a group of co-ops that had emerged in the early '20s and on through and spurred on by some scurrilous behaviour by some private individuals who were taking huge margins overnight. Markets were a bit wild in the futures market. But they would bid with a wide margin of safety on the Prairies, and there were some big fortunes made. It led to the farmers getting up mad and saying, "We are going to form our own co-op, and we are going to do our own thing."

If you study that whole emergence of those early co-ops and the Grain Growers Cooperative and so on, they didn't appear by magic. They appeared for a cause. So they formed powerful co-ops under this almost service-for-cost business. UGG was always a little bit different to that. But the Manitoba Pool, Alberta Pool and Sask Pool would have been strongly in that group. Fairness, equity and equal access to the market at any time, and they would take a little bit of grain out of each elevator--. They would put three cars here and three cars there and three cars there and so on. The fact that it was more efficient to put 100 cars got subordinated to equity and sharing the opportunity to get access to the market.

Plus, the market was limited. They were growing more than they could sell. The elevators were plugged, and you couldn't get the grain out of your bins into an elevator. When there was space in the elevator you all wanted a piece of it, because you needed

income. Everybody had to have a few bucks. The emergence of the co-ops was an understandable thing when you looked at it, but its lack of efficiency in its in-built structural efficiency as a system over time emerged, and the more we got into the modern age--. And I think Cargill started it building Elm Creek and Rosetown. Those were the first two big elevators that were built by a company, a regular company. Oddly enough, the first big inland elevator was built by a group of farmers forming a new cooperative at Weyburn. That was the first modern terminal on the Prairies and still is.

NP: Beyond the government ones that were built Saskatoon and Lethbridge—huge things back in the early 1900s.

DD: Yes, they were the Depression ventures, yes. But they were also not modern nor efficient in the sense of these other ones.

NP: No.

DD: It is interesting that it was a group of farmers who got up and built the first modern fast, full-unit-train terminal. Cargill virtually have copied them—Elm Creek and so on. It wasn't the other way around. You saw then this inability to respond to technology—innovation—gradually sapping into the earning power of that cooperative structure.

NP: Why would you think that would be? That there was an inability?

DD: You don't have the economic drive to do better and attract your customers, when they are coming to you regulated by quota that is you have their permit book, and the Wheat Board quota just announces that it has just been raised from three bushels to five bushels under a socialized system of marketing where it is all controlled, and every farmer can then load up a truck and bring in one truck.

NP: Would you still not want efficiency?

DD: Where is the drive on that elevator manager to do a better job than his neighbour? You can't get any more cars. You could have the best elevator manager out there and the brightest brain in the world. There is no room for him to manoeuvre and get more customers. So lethargy seeps into the system, and it dragged. The United States was running unit trains for 20 years before we started running them. Only recently have they become a regular feature of the business—thirty, forty years later after I was running them in Illinois in 1958. That is terrible.

You saw Alberta Pool and Manitoba Pool talk to Sask Pool about forming one company. Sask Pool had some problem with their charter. They had to return and give every patronage-dividend holder an opportunity to withdraw their withheld patronage

dividends since they changed the structure of the company, which we have meant that they would have had to distribute half a billion dollars worth of money. There were problems with that and Sask Pool stayed out of the merger between Alberta and Manitoba Pool, who had similar stuff, but they managed to get it resolved when they merged and formed Agricore. Then UGG didn't join in with that. Then a couple of years later, UGG merged with those two and formed Agra [Agricore] United and then Sask Pool joined in as I recall. No Sask Pool never did join that. Sask Pool stayed outside, and then Viterra came out and bought Sask Pool and joined up that whole thing.

Before this had gone on, of course, the same thing, this consolidation thing, had gone on in the private trade. McCabe had sold to National Grain in the late '60s, Inter-Ocean Grain had sold to Richardson, and then the big change when Searle Grain merged with Federal Grain in about 1970. They were two big companies. They had 1000 or maybe 700 or 800 elevators each. Sask Pool had about 1,000. So the combined company, I think, had the most elevators on the Prairies, and they stayed merged for I think only about two years. They tried to make a go of it as a merged company, and finally sold out to Sask Pool.

I may have that a little wrong. Sask Pool bought most of the elevators but some of them went to Alberta Pool and Manitoba Pool. I think that they sold out. They did. Sask Pool didn't operate in any other provinces, so they sold out to each of the Pools. This was a very big disappearance—the largest private company. It left Richardson, and Cargill had started and joined to the Prairies when we bought National Grain in 1974. That was right in the middle of that turmoil. The whole consolidation thing was going on at high speed in the private sector 10 years, 15 years before it took place in the Pools.

NP: For what reason? What precipitated that at that at that time?

DD: You could not make any money, and it was not a viable business. Your main competitors were co-ops and the structural system that favoured them. You could sit there and watch the cars go into the next-door pool elevator and you were getting none. There was a fairly understandable liaison between the pools and the Wheat Board. There were times when the discrimination of issuing cars to the Pools and not giving them to the private trade was blatant.

NP: How did the private trade-?

DD: There was nothing you could do about it. You would see 30 or 40 or 100 cars come into the local switching station, and 15 each would go off to the Pools, and three each would go off to the private companies. There was a lot of nasty stuff, and it rancored, and I think it led to the low level of respect within the industry for one side versus the other and the three sides—the pools, the private trade, and CWB. That is an unhelpful way to run an industry. That is not positive. At some point each has to

have their own favourite piece of baggage, but when you run into meetings, and you are trying to do stuff on behalf of the industry, you have to leave your baggage at the door and get on with fixing the stuff.

NP: Can you think of an example where that was an issue?

DD: That didn't happen at all for a long, long time.

NP: That they would even get together in a room?

DD: There was a Western Grain Elevators Association and staff, and then for the private trade they had their own. Really some levels of good cooperation and a sense of industrial responsibility probably emerged really with Otto Lang forming the Grains Council.

NP: I am shutting the tape recorder off now, and we will continue at another session.

**End of interview.**