

Narrator: John Heimbecker (JH)

Company Affiliations: Parrish & Heimbecker

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Summary: CEO and owner of Parrish & Heimbecker John Heimbecker discusses the history of his family's business and his role in the company. He begins by sharing the story of how the company was founded by the Heimbecker and Parrish families, how he became involved in the company, and his first role in the eastern division as a grain trader. He describes the differences between the eastern and western grain industries, including different elevator systems, less government control in the east, different crops, and different end users. He explains how the amalgamation of the Pools allowed companies like P&H to grow, and he describes the growth and change in crops P&H handles. Heimbecker discusses his move to the Winnipeg office, becoming the lead of the grain division, and learning to interact and coordinate with western grain organizations and the railways. He discusses the major modern change in the industry—the removal of the CWB—and he predicts changes that will occur, like grain companies dealing directly with railways and vessel companies on shipping logistics, the Canadian Grain Commission reducing its role, and farmers changing which crops they grow. He makes other predictions about the optimistic future of the grain industry for Canadian grain companies, the port of Thunder Bay, and grain researchers. Other topics discussed include the computerization of grain trading, P&H elevators in Ontario and British Columbia, perennial issues with rail transportation, P&H's previous ownership of lake ships, grain companies' diminishing cooperation, and labour relations in Thunder Bay and the West Coast.

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Time, Speaker, Narrative

NP: It is Wednesday morning April 11, 2012, and we are sitting in the wonderful boardroom of Parrish & Heimbecker in Winnipeg, overlooking the city. I am going to ask our narrator/interviewee to introduce himself and his current position in the grain industry.

JH: I am John Heimbecker, and I am a third generation member of Parrish & Heimbecker, and I am in charge of Parrish & Heimbecker national grain business.

NP: When we are talking to people who are from a grain family, I usually like to start out by asking them to talk a little bit about what they know about the history of the family. Could we start you off there?

JH: Probably a lot of this would overlap with what Bill Parrish has said.

NP: Yes, but it is the chance for the Heimbeckers to get their say.

JH: The Heimbeckers were flour milling based family that originally originated in Kitchener, which was Berlin in the old days, Kitchener, Ontario. Kitchener, but moved to Hanover, which is where we still have our original family home. I guess it would have been my great grandfather that built a flourmill there. My great grandfather had 10 children and the oldest was Norman. And in those days, there was wheat grown in Ontario, but we also used to procure western wheat that was a much higher quality. It was really mostly from Manitoba.

When Norman was of age to start working, Norman was charged with doing all the procurement for his father's flourmill. Norman decided to come out west to see how things worked because as their mill was growing and their business was growing, he needed to understand a bit better how to get the wheat from Manitoba, in those days, down to the Great Lakes into Ontario to be used. Norman came out here as a very young man in his early—28 or 30 years old—and he connected up with Bill Parrish four generations ago. They struck up a relationship.

Bill Parrish at that time was 50 years old and Norman was only 30 or just coming up to 30. At the time, the Parrishs had a business in Brandon that was called Parrish & Lindsay. The Lindsay building, which is somewhere over here, is that same Lindsay family. They struck up a relationship and a friendship and then decided to form Parrish & Heimbecker in 1909. Really the concept at that point for Norman was to get the wheat back to the Heimbecker flourmill.

Those days were very lucrative. The Canadian grain business was just opening up and expanding west. The railway transportation systems were improving dramatically. The vessel sizes were getting bigger and bigger, and modern farming had just reached a new zenith, so the grain business was expanding and obviously he recognized that there was a big opportunity to stay out west. Those opportunities morphed from being procurement for his father of a flourmill in Ontario to starting up a western grain business.

NP: Did the flour-milling business continue then, and if so, under whom?

JH: We actually coincidentally have a very large flour-milling operation still in Hanover, which is owned by Parrish & Heimbecker. But it is not really the same business. That flour-milling business ended because flour mills today as you know in business everything gets bigger and bigger, and its economy of scale. That business, it just closed, and Heimbecker at that point directed their resources into being in the grain business. We got back into the flour business later, and we were in Hanover, and that was more of a coincidence than anything. We got back into Hanover, and it is still there today. It is one of the top mills in Ontario.

NP: Did other members of the family move out west then?

JH: Yes, of the 10 children and one died very young in those days. Norman was the ultimate founder. Harry Heimbecker, who is the middle brother, he was either 4, 5 or 6. I can't remember. Followed him out west and moved to Calgary and really got our Alberta division up and going, those elevators in Alberta, and in those days, we had feed mills out there as well. Harry got that going. There was a 10-year gap in there, and then the youngest child, Clayton, who was my grandfather, got involved in the business. There was almost a 20-year gap there between one and ten. Clayton joined the business when he was of age. He stayed in Ontario and really got our Ontario grain business up and operating.

We are actually bigger when you aggregate our whole business in Ontario than we are out west. Out west and in Thunder Bay we are just known as a grain company. Today in Ontario, we are the largest Canadian-owned flour-milling operation. We have a huge feed operation with a huge Ontario grain operation. He is credited with getting that up and going. There were three Heimbeckers that went through that original business funnel, which is why, by the way, Bill Parrish Jr., who is our current president, is the fourth generation Parrish, and I am only the third generation Heimbecker because of that original 20-year age gap. Bill is 15 years older than me or something like that.

NP: The operations that were in Ontario, they were also Parrish & Heimbecker?

JH: Yes. We had a bunch of names that were not P&H crest wasn't everywhere. When we bought Pete out, we often kept them on and kept the local name to help facilitate the business. We had a number of different company names over the years that have been there.

NP: It sounds that even though you are only 48, as you mentioned I think off tape, that you have taken real interest in the history of the organization. Do you recall any stories at all about the starting up of the business particularly out west? We don't hear a lot in our tapes about the set up of business particularly in the Alberta side. We hear more about Saskatchewan.

JH: Bill Parrish really would be the one to help you with that because he was here and living it. When Norman Heimbecker passed away--.

NP: Do you recall when that was approximately?

JH: I am thinking the late '50s. Bill would know that, but Bill Sr. took over the west. Really the Parrish's were operating the business out west for the longest time after Norman passed away, and the Heimbeckers stayed until Harry passed away. It was really Bill Parrish Sr. who was running the western grain group, and my uncle Herb Heimbecker was running the east because Clayton has passed away in the '60s. That older generation passed away in a very narrow window of time.

Herb, my uncle, and Bill Sr. ended up taking over the business in the very early '60s as pretty young guys, like I would say 40 years old. I was the first Heimbecker to move back here in the early '90s. I mean the Heimbeckers had moved their house out of Winnipeg. There is a famous story about that because the NDP were bringing in capital gains taxes on estates, and the Heimbeckers had a beautiful house on Wellington Crescent that was Norman's. I guess they decided at the time they didn't want to pay the taxes, so they just took the house and left for Calgary.

NP: They took the house?

JH: Yes, they moved the house brick by brick. In fact, it has been rebuilt in Calgary. I have been in it, and it is an exact replica. All the bricks had to be numbered, and it was built with a particular architecture that was Germanic that obviously mirrored the types of things that were more important to the Heimbeckers in those days. My cousin Phil Heimbecker still lives in that house today. He is the chairman of the board of our company actually now.

NP: What is the operation? The operation is headquartering out of Winnipeg, but your cousin is in Calgary?

JH: A cousin is in Calgary. He is not involved in the day-to-day operations of the business, but he is very much involved in the business as the chairman of our board. Herb Heimbecker, my uncle, his third son, is the executive vice-president of Parrish & Heimbecker. He is in the east and runs our flour milling and our farm group today.

NP: The farm group, what is that?

JH: The farms are poultry farms—chicken and turkey farms, hatcheries—and those support our food business is, as you know, is Butterball, and turkeys is our main brand flag ship, but we also have a number of different brands. Some of them are for particular just to Ontario, so we have our own hatcheries, farms, and food production, and we support feed. So we feed ourselves too. It is a very vertically inaugurated business. We supply--. Hopefully our grain for the west moves out there to supply our flourmills and our feed mills. The theory of integration is a big part of our business.

NP: I don't know as much as I should know about the differences between operating grain business in Ontario versus the west. What would you say from your experiences is the difference?

JH: The grain business in eastern Canada obviously is not the same size in a magnitudinal way. They don't have the same amount of real estate to grow crops. The eastern grain business is primarily corn and soybeans with some winter wheat. It is also ultimately been in an open market environment. There has been some times where the wheat has been controlled by the Wheat Board that is in Ontario. For the most part it has been an open market, so it operates very similarly to the way the United States would operate their grain industry. Of course, out west we are really, for most of our history, we have been wheat dominated. Today it is wheat and canola, but as you know, the wheat has been controlled by the government through the Canadian Wheat Board so there is a far more governmental influence—or there has been up until this August 1—than there ever was in eastern Canada. A very open market. The way the assets were configured and used, and the way people traded were much different then what happened out here.

NP: Is most of the production used in Canada or is there an export business?

JH: Today, depending on the size of the crops. There are soybeans crushers in Ontario that use local soybeans, but typically speaking, the crop size exceeds what their requirement are, so there is an export program that goes out the St. Lawrence River, which we participate in. Most of the corn gets fed locally. There is corn that moves to the Maritimes, for instance, and into Quebec. Quebec also has an open market environment so there is a lot of trans-border shipping depending on whose crop has worked out okay and whose hasn't. Probably of the wheat that gets grown, I think maybe one half to a third gets consumed by the local flour mills and the rest goes export mostly to the United States. Not always, but mostly.

NP: We have a special affinity for elevators, so what elevator system is used for that export of the eastern grain?

JH: There are a couple of different kinds. The country elevators that you see in Ontario, generally speaking, look like today's modern country elevators. They are concrete. We never built those wooden ones like the Prairie sentinel that everybody talks about, but for the most part those elevators are not located on rail because they were used to store a product and then trucked to a local flour mill or trucked to a local feed mill. The need to build them on a railway line wasn't as important as it was in western Canada where you had to move the grain for export great distances. So there are concrete elevators today and some are on rail but most are not. Of course, those are consolidated just like the ones in the west have consolidated down. It is the first kind of elevator.

The second kind is what they use to call a transfer elevator, and these are super big elevators, and in the old days, they use to move western grain in the winter time when the lakes froze by unit train to these transfer houses or they would move them by water before the freeze up to these big transfer houses, fill them up, and then take the grain by rail further east, so out to the St. Lawrence River and out to the Maritimes. And it was done all under a government subsidy rate that was called the At and East Rate. I guess the East Atlantic, something like that.

These things would fill up with wheat, and of course, in those days, Western Canada was mostly wheat, and there was a big trade to Russia and to Europe. They would move the grain into position at harvest, fill these big transfer elevators. Then they would reload rail out to the St. Lawrence River to go to vessels to go to the export [inaudible] Russia and Europe. Those elevators slowly closed over the years and the At and East Rate ended. A lot of the rail lines got lifted up that was in there mainly because of the population growth in Ontario. The ones that were remaining were really converted to elevators that take western wheat today and store to feed domestic use, like the local Ontario use, and they service the export market now. So if you can imagine flipping the elevator from taking in-bound grain and exporting, now they take domestic grain and export by vessel. I don't know how many of those elevators there would have been—10 or 15—and there might be three or four operating now.

NP: Do you use specific ones?

JH: We do. We still own an elevator in Owen Sound, which is where I actually started my career working in Owen Sound.

NP: Is it the Owen Sound Elevator? Is that the name of it?

JH: It is called the Great Lakes Elevator Company.

NP: Okay.

JH: We also have significant shareholding in Goderich elevators, which is now called Third Coast, I believe. Then the third type of elevator is companies have gone in and built modern export elevators in Ontario. We have one in Hamilton and so does Richardson. These elevators are built to take grain in, and they can take grain out, but they are built really to drive vessel business unit trains coming in, vessel business going out, trucks coming in, vessel business going out. Really designed properly and these ones were more retrofitted, if you will.

NP: Was the Goderich one or the Owen Sound one I had heard that just recently turnover in ownership, but that didn't affect either of those elevators?

JH: The Owen Sound elevator, Great Lakes Elevator Company, is 100 percent owned by Parrish & Heimbecker. Goderich is a public company, and we are currently involved in trying to convince the public shareholders to sell out to us. It may in fact change hands in the next couple of weeks to us.

NP: That keeps our project hopping, keeping track of who owns what.

JH: Yes, there are a lot of chess pieces moving around these days for sure.

NP: You mentioned that you started your career in Owen Sound, so where did you grow up? Where were you born?

JH: In Toronto.

NP: Did you always envision yourself at your father's knee coming into the business?

JH: My father passed away quite young, actually. So in the years when you start to understand about work and money and what your father actually does—my father taken quite ill and was sick for quite a long time—so we didn't get that. But the grain business was obviously a big part of our life. We didn't know it, and in the early days in the '60s, P&H were still working Saturday mornings, so we would go into work, myself or my brother. We owned our own building in downtown Toronto on Scott Street on the second floor, and we would just go up there and hang out until noon when the work day was over, from 7:00 to noon. We knew a lot about the business and travelling around Ontario on family car trips, which is what you did in those days for fun in the summer. We had elevators all over the place, so we understood that.

My father passed away in 1982, and I was only 17 at the time, so there was a long period of time where I didn't know what I was going to do. You finished school and went to university. I talked to my uncle about doing something and he was interested, so I started my original training in our Toronto office, which in those days was also downtown Toronto, now it is in Mississauga. It was really just a trading office, a pure grain trading office, so I started working there but then moved to Owen Sound.

At that time, there was a big explosion of seeding of Ontario wheat and the Ontario Wheat Producers Marketing Board, which was like the Canadian Wheat Board, changed the way they viewed how that crop should be handled. In the old days, you used to go to a farm bin to a country elevator bin to an export terminal to be exported. They just decided, "Well, maybe it's better if we just sell direct into the export terminal." Because it is not like driving from Manitoba to Thunder Bay. The export terminal might only be 35 miles away. I think that was probably something that was smart. So we needed to convert Owen Sound from being a terminal to a gigantic country elevator during the Ontario wheat harvest. I did some trading and buying and training in risk management, and in trucking and shipping. Herb was an interesting man, but not one of many words. He said, "Go up to Owen Sound and get that started. Just go get it started. Whatever. Jump in your Pontiac 6000 and drive up." And I was there for a couple of years.

NP: I am assuming it was university studies that prepared you for this?

JH: I think university is a confirmation that somebody has the aptitude to learn.

NP: Did you take business?

JH: Yes, I did. Today in the grain business, there are business fundamentals that obviously apply, but it is a different world.

NP: When you first started then working for the company as a trader, what did you learn about the company that you thought, "Gee I didn't know this?"

JH: I certainly didn't understand what the size of the business was. Most people don't know even today how big we are. I am always amazed that the fact our customers don't understand just how big we are today. I didn't understand that, and there was no way I understood the complexity of the business—the nuances of the business, even trading futures in the Chicago Board of Trade. We had a seat on the Chicago Board of Trade and a seat in Winnipeg, and in those days, open outcry trading versus computer trading was the way to discover price. I hadn't a clue how that worked, and I remember going to Chicago early on to take some trading courses. I would go on the floor, and it was amazing to me how that process unfolded and somehow translated back into a risk management tool for somebody sitting at a desk in Canada.

NP: Was that scary? Those were big numbers you were dealing with.

JH: They were big numbers, but the business had been around for a long time, and the senior managers of the company in those days—Bill and Herb Heimbecker and our senior managers—were very experienced and everybody knew what they were doing. It wasn't as though you were bringing my 8-year-old boy to look, and he would be freaked out, but these guys know what they are doing. That is part of the testament of why we are 100 years old or 103 years old. When you are coming to train with somebody who's lived the business--. And Herb had been in the business since he was 18, and Bill was the same, 18 or 19. They both were deployed to go to WWII, but they never went, so they were working in the business probably late 1945. A lot of experience.

NP: Were you trading then when there was the switch from the trading floor to the computerized?

JH: Yes.

NP: Did you like that change?

JH: I think it's funny that you say that. We were just meeting with some guys from Chicago on Monday. They were up here, and I asked a question so much of that which was "How do the customers feel today? Are the customers getting what they want?" For the most part, it would seem to me that the computer pricing is superior to the old open outcry. Having traded here, the jury is out for me on that. I liked it myself, and myself, I was a part of it and got to be on the floor here and do it. When I came to Winnipeg, part of my training then was to learn to be able to do that. Bill Parrish had to do that. Norman Heimbecker did it. We all went through that process. It is a way to learn, to think on your feet and be able to add quickly. It was part of that training that now isn't available to young guys, so in a way, I wonder.

NP: Quite electrifying I would think?

JH: Oh yes. Winnipeg was not like when I got here in the early '90s, was never like Chicago. Chicago is a price discovery point for the world in the '90s. Winnipeg was very much about Canada. So it was different. The activity and the excitement wouldn't have been Chicago. But for a guy standing there in the canola pit, it was exciting, and it was a good way to learn. A good learning experience. I was lucky to be able to have done that. I got the chance to serve on that with the Commodity Exchange, and also, we had a clearing house that managed the risk for that, so I got to serve on the Clearing House board, and I was the president. I was the president at the time where the Commodity Exchange closed it, so I got to be involved in understanding how clearing houses worked and at the same time wrapping the clearing house in favour of a different model.

NP: I understood talking with some people about the closing down and the buying out of the Winnipeg operation that there was some initial concern about not having something so close and immediate. What kind of impact that would have on the business here? Has that worked out in any way or is it still in--?

JH: I would say the jury is out. I think that when we closed the Commodity Exchange, the main contract was canola, and that was the one that had the value, and that is what ICE paid for. I would say it is operating just fine, and of course, what's happened is that canola acres have gone from say 5 or 6 million acres to 20 million acres, so the contract—despite itself—has continued to grow and achieve success. I think today with the Wheat Board leaving after August 1, the new ICE owners are trying to build or resurrect the wheat contract. I think there are questions as to whether or not that will fly, and I think currently most of the grain companies are using a US-based contract to hedge the purchases for after August 1. Now that doesn't mean that ICE isn't going to get a contract up and going. They may, but I would suggest that had it been Winnipeg concentric they might have taken a different approach and different view on how to build a wheat contract here, because you have interested parties—a direct link to the ownership of the exchange and the commodities. ICE is just a big worldwide business that is out to make profit.

NP: Where is it headquartered?

JH: They have a guy here in Winnipeg who is a pretty good guy who knows the Canadian grain business pretty well. I think his name is Brad Mann and he is a good guy. It could be Geneva or Paris. I don't know where they are to tell you the truth. They are big. ICE is big!

NP: ICE stands for--?

JH: International Commodity Exchange, probably something like that.

NP: Right.

JH: Their model is to buy up all the commodities exchanges, and that is what they want to do. I believe they bought the Chicago Mercantile Exchange, and they might even own the Chicago Board of Trade now to tell you the truth, and I am not sure. That is their model to have a worldwide control of worldwide commodity futures, price discovery mechanisms.

NP: Do you have any comment whether that kind of consolidation is risky?

JH: No. The world is becoming smaller and smaller, as you know, and the grain business is international. Everybody's grain business is international now. You are trading the world all the time. Even when we are setting our wheat price in Glossop, Manitoba, the price that we set for wheat really relates to the world price in some form. It is not unusual, and also, the worldwide grain business is consolidated into bigger and bigger companies. As you see, that would be a normal thing for the support mechanism for that business to consolidate in a similar fashion. That is the way that we are going, and that is the way the world is going.

NP: Since you raised the issue—although I would normally ask this question a little later on—with that model of bigger and bigger and more and more global, where is the place for a family-owned business that is pretty much Canadian? Are there assets held in other countries?

JH: No. Pretty much Canadian. There are always challenges, I think. Some of those big international companies have some significant advantages over us, but being smaller and more tightly held also has advantages. We certainly are going to continue to grow our business. Our business has doubled in the last five years, and our plan is to continue to carry on. We think we will be able to compete. We like our position in Canada, and we think we will be okay.

NP: This oral history project--. And we have now been on the go since 2007, so we have interviewed through a lot of changes. And I guess the way of changes over that time has been larger organizations amalgamating or being taken over by smaller, and finally the smaller ones seem to just--.

JH: What happened in the late '60s and the very early '70s was what I like to term and it might have been the first or the second big wave of mergers and acquisitions. At that time, a lot of the private family-owned grain companies, like the Searles and the Leachs, all those families got taken out, so they took the money, and those family business were driven out. In those days the Pools dominated—Manitoba Pool and Saskatchewan Pool, Alberta Pool and United Grain Growers.

This last big—excluding the most recent one—the last big series of mergers were really the Pools got themselves into trouble, so Manitoba Pool merged with Alberta Pool. They tried to buy United Grain Growers and it didn't work. United Grain Growers bought those two Pools, and Sask Wheat Pool bought the Pools. So really this has been one giant exercise in consolidating all of the Pools into Sask Pool, which is Viterra, the last bastion of all the Pools. And Viterra is now an international company. So it really has been the consolidated of the pools.

At one time, the Pools handled 87 percent of all the grain in western Canada, and the residual Pools, which is now Glencore, is about 25 percent. The rest of that business has been spread out amongst the remaining players, which would be Parrish &

Heimbecker, Paterson, Richardson, and Cargill. Their consolidation has allowed the rest of us to grow our businesses. I guess the Pool concept was very much in favour for producers throughout the middle 20th century, but I guess it fell out of favour in place of a commercial relationship with grain company.

NP: If we go back again to your early days, do you recall your first trip to Thunder Bay to see your operation there and any thoughts that you might have on that?

JH: My first trip to Thunder Bay would have been before I moved out here. Thunder Bay in the early '90s was actually still a bit busy. In those days when I was in Ontario, we were buying a lot of grain out of Thunder Bay by vessel to come to Ontario to be re-merchandized. So part of my job in Ontario was to be involved in buying the grain in Thunder Bay and booking vessel freight and getting it unloaded in Ontario and getting it out to the feed mills and the flourmills. It was much busier. The business has really dropped off. I think of the middle '80s was the heyday. I can't remember, but I am thinking at one point they were doing and maybe the record is 20 million tonnes or 15 million or something like that. It was just starting to slide down in the early '90s, and today I think there are only maybe 5 or 5.5 million tonnes going through Thunder Bay.

NP: Do you have terminal facilities on the West Coast?

JH: Yes.

NP: Or cooperative effort?

JH: Yes, we are involved in a joint venture with Paterson Global Foods and four producer-owned inland terminals. It is called the Alliance Grain Terminal.

NP: Where is it?

JH: It is in Vancouver on the south shore between Pacific and Cascadia.

NP: Good.

JH: It is an old United Grain Growers elevator.

NP: One of the things we hope to do is track the various elevators and who owned what, which ones burnt down, which ones were taken down and so on. Very grateful that you have one in Thunder Bay that has always been the same. It makes our life a lot easier.

JH: On the West Coast, we used to have a deal with joint venture with Pioneer Richardson for a long time, and I think their terminal burnt down in the '70s or '60s. We didn't choose to stay with them. We just decided to sell our grain to anybody, and when we got the opportunity to get back in five or six years ago, we took it.

NP: When you were the trader with the company, did you know who you were selling to, or was it just sort of paper?

JH: There is a paper component to all trading, but for the most part we did know, and P&H business was largely domestic, so localized in the United States. We knew the people we were selling to. In western Canada, the Wheat Board did all the exporting, so we were never involved in any of that export business, something we are now learning to do and we are getting involved in. We never had to do it before.

NP: The reason I ask the question is this display I mentioned that we are doing at Thunder Bay waterfront. We are taking it from prairie delivery point to end product. What companies at the other end or what products at the other end would be using your--?

JH: Going through Thunder Bay, our business was mostly to our own flourmills. The end-use customer is ultimately P&H, and obviously we knew that. In terms of the export, going off the West Coast, there is a company called Warburton in United Kingdom which is a flour miller that uses wheat procured and goes through Thunder Bay and the St. Lawrence River. They are a big customer. And there is a lot of durum that goes to North Africa—so Morocco and all those companies, the Middle East. That is the bulk of the business. There is some wheat that goes to the Caribbean out of Thunder Bay and then there is Africa. Those customers, up until August 1st of this year, would have been serviced primarily by the Wheat Board. All our job was was to toll handle on behalf of them.

NP: You mentioned the size of your company. What is the current number of employees?

JH: Just coming up to around 2,000. We are just somewhere under 2,000.

NP: Is there a division west and east numbers?

JH: No, it wouldn't be 1,000 and 1,000. Probably more out east because we have more factory-type businesses.

NP: Yes. When you made the move from Ontario to Manitoba, what was your major learnings if that is the right term?

JH: We had a very senior guy here announce that he was retiring early, and it was a bit of a surprise because most of the senior executives of this company don't retire. They just stick around until the end, if you know what I mean.

NP: Who was that person?

JH: His name was John Fields. He was at the other end of the--. I dealt with John Fields quite a bit, and I knew his job from an Ontario perspective. So John says, "I'm retiring." We didn't really have anybody in place at the time to replace him. So we said, "Go out there and get things stabilized and hire a guy to replace him." So we said, "Okay." John Fields was also a director of Parrish & Heimbecker, too. So I said, "Fine I will move out." I came out in January, and we got the transition done and got it up and going. I think he was retiring in May or something. I sort of just stayed around and liked it. Really, I don't think there was a formal decision made. I just never went back and that was that.

NP: Were there things that surprised you about the western operation then?

JH: Not so much. It was obviously different. What we were doing out here was different, but I knew at the time, I understood what John was doing. And other than learning my way around the trade here, it wasn't hard to adapt.

NP: What is involved with learning your way around the trade?

JH: The Wheat Board was here, the Grain Commission was here, and all the major grain companies were here, and when you are in Ontario, there is not a close proximity, so you had to learn the personalities—who is involved, who was doing what with the individual companies and the Wheat Board, who the contacts were, the Grain Commission, all the different entities. The CPCA which is at the time the Lake Shippers Clearance Association, and all these individuals. I had to deal with them much more directly.

NP: Is there such a thing as a typical day in the position that you are currently in?

JH: No. These days things are changing fast. With the Wheat Board going and the recent acquisition of Viterra, I think the grain business in many respects is undergoing a bit of a renaissance. It is a bit sexy. For a long time, the grain business in the late '80s and early '90s was not the place to be. You look at the interest in the grain business, people are forecasting worldwide demand for wheat agro-based products to raise with the sophistications of the population in China, in India, and in Pakistan. You look at all these

things together, and you look what Canada has as having a national asset, which is the ability to grow and export wheat. It seems to be a pretty good place, but all the stuff is just happening right now and every day it is different.

NP: I recognize that it is in flux and that there are a lot of systems to be worked out. When you answer these questions, you are probably going to have to say, “Well in the past, but in the future.” How would you describe your connection with the producers? Does your job put you in--?

JH: Over the years I went from, when I came here to doing the trading, I got involved in the country elevator business as well as Bill Sr. started to pare back his responsibilities. Our company is different from others in that the executives, or the owners of the business, spend a lot of time out on the road visiting with our men, our employees, and the customers. I would say that I don't know every single one of our producer customers in western Canada, but I know a lot of them. I have been to a lot of their houses and certainly I know all the employees and probably their wives.

NP: Are you in charge of the western elevator facilities then, or is there somebody who is a manager reporting to you?

JH: I have got guys reporting to me, but ultimately it is my responsibility.

NP: Connection with rail, is that something that is your responsibility or is it somebody else?

JH: No, it is mine.

NP: Okay. Talk about the kinds of things you have to work out.

JH: The rail in western Canada as a user, I would argue, has been a challenge for a long time. No doubt you have heard that from everybody. I think that challenge, it appears as though this challenge is going to continue on for some time. The government of Canada has wrestled for a long time with imparting a monopoly or a duopoly on the railways with creating enough protection for end users to be able to justify giving a monopoly to a railway. Those two competing ideas have never come together, and it has been a problem for a long time and continues to be a problem. I think that the system is currently not adequate, and my view would be that the inadequacy damages western Canadian producers' ability to earn good income because transportation, timely transportation, is a very important component to the grain business.

NP: Just on regular day-to-day operational basis, what kind of connection do you have with the railways? What kinds of issues do you have to work out?

JH: We are buying grain into our elevators every day, and then we are looking for conveyance opportunities to take the grain from the elevator to the customer who could be a direct-end user—i.e. a flourmill or a feed mill—or to a port position then to be exported to a customer. We are constantly asking the railways to bring us cars, and then we are asking the railways to tell us how long it is going to take for the cars to get from point A to point B, and then how long it is going to take for the cars to get from point B back to point A so that we can do the whole thing over again.

The problems of the cars not showing up when we want and that happens all the time, or we don't get the right amount of cars, or the cars take too long to get to where they need to go. These are all the sort of day-to-day problems. We also fight them quite a bit on the pricing. Because there is no competition, the ability to price becomes an interesting dynamic.

NP: When did you say that you started here in?

JH: In 1993.

NP: Would all the rail consolidation pretty much have happened by the time you started?

JH: The companies had gone from government ownership to public ownership at that time. Branch-line railways had started to be closed, but a lot of the branch lines had been closed between 1993 and today.

NP: Has that generally worked out well or did the benefits that were put forward related to rail-line consolidation and still keep forgetting the name of it not quite turn out the way it hoped to?

JH: I would say it is hard to know. I think when you look at a map and you say to yourself, by removing the branch lines and focussing the transportation and the main lines or secondary lines, and focusing the grain movement into bigger terminals, it does make a lot of sense, I think, at a high level. But the reality is that the price to move the grain has gone up quite a bit. The service, I would say, is different but not necessarily that much better. That is to say our ability to have a say in what the service packages are is not there yet. It has never come with us.

Frankly, the farmers have to carry their grain a lot further now to unload it. So if you think about it, the farmer before--. And I think there use to be in Saskatchewan every seven miles there was an elevator because a horse could go seven miles one way and come back, or seven kilometers, one of the two. The farmer has to go 60 miles now. He bears that cost. Theoretically if the cost to elevate

the grain and move the grain on rail and get it to port and getting a higher value for it, if that exceeds the cost of trucking, it is a good thing. I am not certain that it has.

The government has tried to find a way to see if it has. They have got all sorts of ongoing studies, and there are government agencies that monitor that value proposition. I am not sure. Because at the end of the day, the railways have closed the branch lines, consolidated, and kept the savings for themselves. They have not passed the savings on in any real way, in my view. If you are talking to a railway guy, he would say something different, much different.

NP: It is hard to find a railway guy to talk to. So we will look for some names from you.

JH: All railways, including the US railways, are amongst the most lucrative businesses in North America. I own railway stock like mad because they have the best returns. Warren Buffet owns a railway in the US. The largest shareholder of CN is Bill Gates. So the two richest guys in the world have very large stakes in railways. What does that tell you? What do you think getting railroaded means? Their returns are spectacular, and they have been able to leverage the consolidation to their own benefit, and they have been able to leverage the monopoly, while the rest of us have competed. It is a sore spot with me. It's a sore spot. If you went to a car manufacturer, he would tell you the same thing—or potash or a coal shipper. I think 98 percent of all shippers are currently dissatisfied with the arrangements they have.

NP: My understanding, and I must admit it could be quite inaccurate, is that railways are also buying up assets in the States. I would assume that they are predicting more north-south shipping. If so—or even correct me—does that have any implications for a Canadian company?

JH: The Canadian railways have acquired US railways, but it wasn't necessarily related to the recent change from the Wheat Board. Most of those assets have been acquired before all of this. Part of it is the north-south movement, but really the US rail business is lucrative, and they were able to acquire these businesses. They knew the business well, and they just bought them because they were good businesses. There is going to be potentially more north-south traffic, but I don't know that that in and of itself would have been the reason to do that. That would have been one of a number of things.

NP: Speaking of east-west, north-south traffic, I am interested in the impact on Thunder Bay. Do you have a crystal ball to predict, or whatever, whether you see any implications for all of these changes for your facility in Thunder Bay?

JH: I just did a speech in Thunder Bay in November or December. When you get a hold of Tom Polhill, he probably has a copy of it, and you can have that. I was actually quite bullish for Thunder Bay. But the ability for Thunder Bay to succeed is going to be

related directly to how the railways want to service Thunder Bay, which we don't know today. How they want to service Thunder Bay, say, versus going direct to the St. Lawrence River, what the vessels rates are looking like. So if you are not going to take rail going east, you have to use a vessel, and how those rates are going to pan out.

Vessels rates are very much market driven. So they are high and they are low. In the world today, vessel rates are at their lowest that they have ever been. That tends to promote more business and more export transactions because you can go further, and it is cheaper. But they go up and down like the stock market. I think that Thunder Bay's importance will be more variable, so there will be good and bad times. But over all I think it stands a chance to do better than it is currently doing. I think there is a lot of storage there. In an open market environment, a non-Wheat Board, the ability to store grain in certain times in a cycle is huge. They do it in the US. They have a big, big concrete elevators. At this moment in time, it is not, but there is going to be times where filling Thunder Bay up with the grain is going to be a good business move. A lot of the storage has been decommissioned, as you know, in Canada. Thunder Bay still has storage.

I also think when companies, as you know, are what drive innovation. I think as companies take back control of their assets, because the Wheat Board is indirectly not involved in the business, they are going to find new and innovative ways to use those assets that probably they couldn't do when the Wheat Board was involved.

NP: You may know this. I don't. In previous consolidations and selling off terminal elevators, there has been clauses in the agreements that they were never to be resurfaced as a competitor. Does that change with the changing face of the owners, or once in the agreement always does the agreement pass along?

JH: I haven't read those agreements. Those agreements started because there was a guy in Thunder Bay, and I want to say his name is Black, but I don't know what his name is.

NP: Jim.

JH: Jimmy Black. He used to buy up all the old elevators and take the stuff out and leave them there. Then when Viterra got out of Mission Terminals, they closed it, but then it was bought and re-purchased and opened up. I haven't seen any of the clauses, but I think a clause is a clause. It is a legal agreement, and it is what it is, so hard to know. I think that regardless, Thunder Bay there is going to be some good opportunities. I think when the time is right, Thunder Bay is going to do infinitely better than they were doing. When it is not right, they might do a little worse than where they are. Storage is a good thing. It is old storage. It is not expensive per se to operate. I think there has been a lot of automation in those elevators. In the old days, there were thousands of workers, and there are few hundred now. Property taxes are still somewhat high, but the port and the city have shown a willingness

to talk about those things at least. There is a recognizing of the businesses consolidate. I think overall it is not a bad place to have a business. In fact, I think it is a good place.

NP: Gee, maybe I should buy up some elevators! [Laughs]

JH: If you could. Are there any for sale? [Laughs] You know I think Richardson's--. As you were part of that Viterra-Glencore arrangement and part of their deal including the acquisition of the United Grain Growers A house, which was Sask Pool 3 house, so there is a company Richardson who actually bought a terminal in Thunder Bay. They already have a nice terminal, and this is the one beside it, which is way down the other end, which I guess would be the east?

NP: Current River north.

JH: Is that what they call that?

NP: Beyond Richardson?

JH: Yes, it's the one beyond Richardson. Richardson's obviously, and if you talked to Richardson, they would obviously tell you what they were thinking, but they basically doubled the amount of elevator capacity that they have now. Richardson's are smart. They have been around for a long, long time, so I would suggest that they obviously viewed that there was an opportunity in Thunder Bay for themselves. It doesn't build a new elevator, but it does suggest that others feel a bit like I do with respect to what the future holds.

NP: I want to go back a bit to the rail because we were talking about the rail situation now. My reading seems to have supported yours that the rail has always been an issue as soon as the railway was probably started. It has always been an issue.

JH: All the richest men in the world, since the beginning of time—if you go to the US like the Carnegies and the Vanderbilts, JP Morgans are the richest—everybody owned railways. Today the richest guys in the world own railways. The two richest men in the world own railways. What does that tell you? That tells me something.

NP: Yes. If we go back to the logistics of it then because one of the solutions, I believe—and again correct me if I am wrong—was that somebody had to do some coordinating, and because the Wheat Board was a major player, they did coordinating of grain cars and even purchasing grain cars. I don't know whether that coordination shifted to the Grain Commission. I am not sure. Is it until August 1st still in the hands of the Wheat Board?

JH: The issue of how to deal with transportation has taken on many different and many people have been involved. The Grain Commission is partly involved for producer cars today. The Wheat Board has a definite role and, yes, they do own cars. There use to be something called the GTA, which they tried to coordinate the cars. But really nothing has worked. Yes, the Wheat Board coordinated the business, but the service wasn't any good when they did it. The Wheat Board will be largely removed from that role going forward, and it is really going to be commercial relationships between the remaining grain companies and the railways.

NP: That is how it is going to be.

JH: That is how it is going to be, yes. That will have some advantages and there will be some disadvantages obviously.

NP: What do you see the advantages and the disadvantages?

JH: I think the advantages are that it was a very complex chain of events that had to occur to get a railway with all of these different--. You are talking with both railways, your transportation groups, the Wheat Board. The Wheat Board is coordinating back, and it's a lot of work. Today we are phoning our rail guy and say, "This is what we want." It is going to simplify, I think, the process quite a bit because we know what it is that we are going to be doing. We know exactly what we are going to need for rail. We never knew what the Wheat Board was going to do. They knew, but we didn't know. I think that's going to be an advantage.

NP: Is there a new system set up? Have the railways established one?

JH: No, there is not a new one per se. It's just the Wheat Board's role in that system is going to be removed. One thing the Wheat Board was able to do, because they controlled where the grain went, they did have a bit of a hammer when it came to dealing with the railways. I think that it is questionable that we would have the same-sized hammer, or any grain company would have the same-sized grain hammer going forward. I think that when you are negotiating with a monopoly, it is nice to have a hammer. We won't have that.

Having said that, the railways are in business to make money, and they have an interest in moving our product, and they have an interest in moving it on time because they get paid handsomely for it. We should not assume automatically that the railways are going to devalue what it is they are going to do. It is just going to be different. The government of Canada is currently looking at this transportation system. We haven't heard yet what the results of that are going to be. Obviously, the removal of the Wheat Board monopoly is going to play into how the government, I am assuming, views how the remaining businesses are going to deal with the railway.

NP: What is happening with the grain cars?

JH: The grain cars that are owned by the Wheat Board, I presume, will continue to be owned by the Board. I actually don't know. There are government grain hopper cars. I guess the government continues to own those and then there are the railway's own cars. But the reality is it is not about the cars. It is about the power that pulls them in our system. I think the fleet today, I am going to say, it is 20,000 cars. 10,000. 10,000 approximately. You get 50,000 cars, you don't have the power, and you don't have the crew, and you don't have the gaps through the mountains because only nine trains can go through. It is not just about car ownership.

The other thing I would say is Wheat Board cars and the government hopper cars are very, very small by today's standards. They hold call it 87 tonnes a car. New cars can hold 100 tonnes, which means the larger the car, the more cost effective it is to move the grain over a large distance. The railways have been replacing their fleet with modern, lighter, larger hopper cars. As the system get bigger and bigger cars, the government hopper cars are getting smaller and more and more obsolete and older and older. So are the Wheat Board cars. I don't know what value those will hold in the future. Government ownership of cars is very strange, as is railway ownership. In the U.S--. And I want to say their rail fleet and ours is maybe theirs are a couple of hundred thousand cars, and they are mostly leased by the users in the US. And don't quote me on the 200, and I guess I have been quoted. It is some number, and I want to say there are 1 million hopper cars—but it can't be, that it is too much—but it is 80 or 90 percent owned by shippers like me. There could be a time where we see that as being part of the Canadian business model going forward.

NP: People like you, companies like yours, have they planned a strategy for the eventual obsolescence of those cars the fact that they no longer have--?

JH: There are leased cars that get used in some commercial corridors. For instance, if you are moving products--. Like if canola plants move canola meal requires special cars, and those are typically owned by the shipper. We move flour in rail cars leased by us. For the most part, you can't really use a leased in the current Canadian system in any real way. There is no advantage to it.

NP: Was that the case in southern Ontario as well?

JH: That is the same, yes. There are no leased cars really. There are micro uses for leased cars, and they are there, but it is not the same as in the US where everything is pretty much leased.

NP: Speaking of transportation, unless there is something you want to add about the rail situation past and present and future, shipping. I see this wonderful wheel here. Did Parrish & Heimbecker have ships?

JH: Yes, we have been in the shipping business twice. We were in the shipping business in the '30s and '40s. I think Bill Sr. probably told you, he worked on one of those ships. We had the *Superior* and the *Hudson*. They were grain boats that we used to go back and forth from Thunder Bay to our Ontario elevators. We closed that business, I believe, in the '60s, and bought back in around 1980. We stayed in the shipping business until about 2000s and then sold out to Canada Steamship Lines, Paul Martin.

NP: Do you know the names of the ships that were sold out at that time?

JH: Our ships were all Glen. The *Willowglen*, the *Oakglen*, the *Beechglen*. There are still all Glen ships, the ones that are remaining, but they just fly under the CSL Flag. The *Oakglen* was the *McLagan*, and the *Willowglen* might have been the old *H C Heimbecker*. I can't remember. These ships probably had multi names all the way through.

That is from the *Willowglen*. Grain boats you steer them from the front. The keel is at the back. Unlike an ocean ship where everything is at the back. There is hydraulic system that operates the steering wheel at the front for the back. That sits right over the keel. So if the hydraulics go, you get your whole crew to stand on both sides, and you can actually turn the screw that goes right down to the keel. That is like the emergency wheel. I am sure today there is different way to do that. That boat was, believe it or not, a George Steinbrenner boat we bought, and it was built in 1910. So it was pretty old, and its career had to be ended.

NP: What happened to it? Scrapped?

JH: It goes to scrap, and what they typically do is tow them to a beach in India, and they go along with blowtorches and take the thing down.

NP: I have actually seen the documentary on that. I wouldn't want to be on that beach in India. Where did the Glen come from? What was the significance in Glen?

JH: It was a completely random name picked by Herb Heimbecker. Bill Sr. would better able to tell you the story better. They were just sitting around trying to come up with names. I think we bought the Sioux River was the name of the business that we bought, and I believe the owner had named those boats all after his wife and his daughter. I think it was completely random.

NP: The decision to sell out, what was behind that? And in retrospect, was that still a good decision?

JH: The boats were built mostly in the early '50s, and the cost to keeping them in the class for insurance purposes was rising rapidly. We were faced with the choice of putting substantial investment in these boats or buying new ones or seeing whether or not we could arrange a conveyance contract with a big company. We looked at the different options, and in those days, there were lots of vessels operating on the Great Lakes, so rates were quite low. We went to see CSL, and we said, "We will sell you the ships, and we will give you a five-year deal at this rate," and that rate was cheaper than what it would have cost us to continue to operate. So we chose that economic model. Since then, of course, the fleet sizes have shrunk dramatically, and in fact, guys are now adding back vessels to their fleets, the remaining guys.

NP: The lake vessels or ocean?

JH: Lake vessels, small self un-loaders, but everything would have to be St. Lawrence Seaway configured, but guys who had entered back in. You know everybody got out and everybody gets in and then everybody gets out.

NP: What is your job now? How do you interface with shippers?

JH: I don't interface directly anymore. But obviously, we sell out of Vancouver to do final destinations and have to use shipping companies to help us convey that. On the Great Lakes, we have contracts with shippers. We use those contracts to help precipitate our business.

NP: Do you deal directly with the companies, or do you work through agents?

JH: On the overseas business, there is always an agent involved, although there are opportunities to talk to owners. The problem is that the owner of a boat, mostly in the overseas business, like somebody could own the boat, but it is time-chartered by somebody else, and the time-charter or re-time-charters you get a chain of four or five. The owner is almost irrelevant. The owner may have it just as an investment and has nothing to do with the shipping business, or the owner may be somebody who is active, and you never know. It tends to be a more agent-driven business. In the old days, we used agents. Today it is much more shipper-owner driven relationships. But there are agents still. There still are agents.

NP: Why the shift mostly to direct contact with owners?

JH: Agents in the old days used to canvass all the shipping companies to get you the good rates. Today there are not that many vessel companies left around.

NP: Easier to do yourself.

JH: Yes. It is like an insurance agent. There used to be 50 insurance companies, and it was great to have one. Today there are two insurance companies, so you can use an agent but go direct just as easily.

NP: Who are the two insurance companies?

JH: No, I mean two worldwide. Insurance is consolidated all over the world. It is just as easy to use an agent or not an agent. Sometimes the agents bring you business they've got. They can find something out that you haven't and then we would use an agent. We are not against them. It is sometimes they get used and sometimes they don't.

NP: Last thing on shipping then is Canada Ports Clearance Association. That operation has been around for over 100 years, and it will cease to exist. One would assume that it was doing something that needed to be done. What brought about its demise and what will replace it?

JH: It's original role--. When the Wheat Board was involved in the grain, the Wheat Board had a proportionate shipping formula that it used to bring grain from the country to ports. The formula was basically if you were 10 percent of the market share, you would get 10 percent of the shipping. When the Wheat Board shipped to the port, it put the grain in whatever terminal they wanted. But each terminal would get its proportionate share based on what it was taking in. The grain would be all over the port. Then the ships would call, and the Canada Ports Clearance Association basically cued up the ships and made sure that everybody was getting the proportionate amount of vessels coming in that matched what grain was coming in and what they had in store. It was a bit of a third party that made sure that there was equitable distribution of inbound vessels coming in.

Because the Wheat Board was doing 80-90 percent of the business going out, they just give the boat to the CPCA and would say, "It's going to Sask Pool, P&H this time, and next time, it is going to Richardson, UGG." Then they would, if there was a boat already at P&H, they would put it somewhere else even though P&H was owed the business, and then the next time P&H would get the boat. They juggled that whole matrix. Without the Wheat Board, the grain companies are going to be doing the idea of berthing. "We will do it ourselves with our own boats coming." It is not as if P&H grain will be located in a different house somewhere that needs a third party to help arbitrate who gets the next boat.

NP: Some of those ships are really large. Are there any complications relative to an elevator in Thunder Bay not being able to fill a ship?

JH: Yes, but the grain companies will have that knowledge, and it may be that they will have grain positioned in other terminals as well, but that will be a deal they make direct with another grain company. Those terminals pretty well load everything. The only guy who can't load a big ship currently is us.

NP: Yes, but you don't sell in loads of that size anyways, so you are always--.

JH: No, we will have to make sure with our current Thunder Bay structure, we will have to make sure that we made a deal with another grain company, and we always have grain in another elevator that we can go to two houses instead of one.

NP: Would that be something that you would be doing, or do you have a--?

JH: No, that would be done probably by our trading group, somebody in our trading group because it relates directly to how you trade grain.

NP: That would be absorbing the work then back into--. Every company will have to be doing what a central group did?

JH: Individually, they will do it themselves.

NP: Individually, yes. And on both coasts and--. I should not say both coasts. What is happening in Churchill? Does Parrish & Heimbecker do any delivery out of Churchill?

JH: The Wheat Board used Churchill. I think we are undecided as of today as an industry as to where Churchill is going to fit. We understand that the government has allocated some money to Churchill, but we don't know yet what that means. I don't know long term if Churchill could be competitive. My view personally is that it can't be and that it is the politics of Churchill more than it being a real competitive opportunity for Canada. The old days when we shipped a lot of Russian grain out of there. Russian ships would call up. It was a short shot to go across to their northern port complex. It doesn't serve that same purpose today. P&H has its druthers. It is going to ship to its own terminal in Thunder Bay, unless Churchill is extremely competitive, and if it is extremely competitive, you would have to ask yourself how it is that they can do that.

NP: When you are talking about the companies doing a lot of this in absorbing their own responsibilities, what were the responsibilities Lake Shippers and Canadian Wheat Board, the Western Grain Terminal Association will it continue in the same function or is that also sort of--?

JH: I would say that it would.

NP: Yes.

JH: The Western Grain Elevator Association originally, and I guess Bill Sr. would know better than I, it was originally called I want to say something like the Northwest Line Elevator Association. It was all the grain companies that were not the Pools, which was everybody else. It was originally formed because it was viewed in the old days that the Pools had an individual relationship with the Wheat Board and the Grain Commission, and these guys felt that they needed to get together and combine to stand up for the issues that mattered to everybody else. But over time, the Pools all ended up joining, and it really became an association that works with--. The grain companies use the association to work with the railways, work with the Grain Commission, work with the government, work with the CFIA, and work with the Wheat Board as a collective. The issue of how it interacts with the Wheat Board, that will be obviously less of an issue going forward, but really in areas of national policy, it is going to continue to have probably a role, maybe a more important role.

NP: With the Wheat Board not owning facilities then, there is still cooperation necessary with Cargill, and I think is the only one at this point that has signed a--.

JH: I think Cargill and maybe some other smaller terminals have signed a deal. That's right.

NP: Okay.

JH: That cooperative arrangement will be a mutually agreed upon commercial relationship. In the past, the relationship between the Wheat Board and the grain company had been quite one-sided in favour of the Wheat Board because they were empowered, obviously, and they almost had unlimited power. Now it has to be more of a commercial relationship. I would expect, and I see no reason why all the grain companies won't have some sort of an arrangement with the Board, it just takes time to work the details out. You are starting from scratch basically.

NP: Your connection with the grain handlers. What in your position do you have any connection there?

JH: Yes, I do. Obviously, I have been involved since I have been around in most of the union negotiations on both coasts. So I have pretty intimate knowledge of who they are and what the contracts are.

NP: What works well and what doesn't?

JH: In Thunder Bay, I would describe the relationship to be mostly cordial over the last few years. Obviously with the business propositions have been shrinking over time, and it has made obviously for some challenges. There have been some challenges. The waterfront employment has gone. It has shrunk. I would say that the relationships have been pretty good. We have had maybe less success in the West Coast, I think. Obviously, we have had some strikes. Today, I would describe the relationship as pretty cordial also though. I think we are actually just about to enter into a new negotiation with the guys in Thunder Bay to tell you the truth. It is right now it is coming up. It has been good. I wouldn't say it has been good when you look back at the past because obviously there have been some issues.

NP: During your time or was that beforehand?

JH: No. None. It is easier for me to speak specifically about my P&H employees, which we have had virtually no issues at all to speak of at our terminal. There may have been a strike in Thunder Bay in the '90s, but they have not been often.

NP: The Canadian Grain Commission, I don't know if you have anything to add about the past, present, and the future?

JH: I think the Grain Commission is still going to be relevant, but I think its responsibilities are going to change. They are going to have to be more commensurate with what an open market environment looks like versus what an environment that has the Canadian Wheat Board looks like. I think the Act is being reviewed, and they have got some new people in there that are looking at these things and they are aware of it, but it is an old organization and change is difficult in old organizations, and I think this one will have challenges. The change will be challenging. I certainly think the Grain Commission has an excellent brand worldwide, so their challenge is going to be to be able to find a way to harvest the value of that brand and bring themselves into the modern world. It is going to be a challenge. It would appear to me as though they are coming to terms with that.

NP: P&H's position then on what changes they would like to see is what?

JH: It is hard to be specific. I think they are doing a lot of things that they perhaps don't need to be doing. On the other hand--.

NP: For example, what comes to your mind?

JH: For example, all the grain companies have to put up bonds with the Canadian Grain Commission to secure the inventory in case of default [so] the producer is protected. That is very unusual, very costly. It's very unusual and they don't do it anywhere else in the world. We would prefer that the producer select his business partner based on, in part, the strength of the company and the

relationship. There is an onerous system to manage those bonds and the posting the bonds, for instance. We wonder, why? The government doesn't require any other business in Canada that post bonds with the government as a competitive issue. That would be a good example that they are involved in.

They are involved rail car allocation. It seems a bit strange to me that they would want to be involved in those kinds of things. They are an excellent grading. They are grain graders, I think, first and foremost. They have got tremendous amount of expertise there, and I think to the extent that they can leverage that in a cost competitive way. They have got a significant advantage over third-party graders who are starting to come in because they smell there is opportunity.

NP: The competitive advantage is--?

JH: I think their expertise and their brand.

NP: Their certificate final?

JH: Yes.

NP: That has been an advantage to Canadian grain companies?

JH: I think that the Canadian Grain Commission certificate holds value in the world. People trust it. It doesn't mean that people don't trust other companies' grade certificates. It does to the extent that they can use that brand and be competitive in their service offerings, they stand a chance to succeed. But it is not going to be the way they have done it in the past.

NP: Companies do their own grading as well at terminals. As the Canadian Grain Commission changes its responsibilities and so on, what implication does that have for your own terminal?

JH: The grain companies will have to soup up their inspection for sure or hire third parties to do it. But it will change, yes.

NP: The next thing on my list is the researchers, and what connection is there between your company and the Canadian grain researchers as far as varieties? Do you see things changing or staying pretty much the same there?

JH: Yes, the varietal acceptance procedures in Canada are antiquated, and they will likely change—probably not over night. The Wheat Board was very involved in that for instance. Direct relationships with researchers, all the grain companies have them, and we do to, but they were less important than they will be probably going forward.

NP: First of all, you said that they were antiquated. If you could just expand on that a bit further and also expand on what your current relationship is with researchers that will expand?

JH: By antiquated I mean to get a variety up and through the system and accepted in Canada takes a very, very long time. I would suggest that the criteria for acceptance or non-acceptance is fairly subjective. It means that because it is subjective and it is open to interpretation, it was always difficult to understand what varieties to support and not support because it was subjective. I think that it is likely to become more objective in the future. Therefore, companies being able to put financial resources behind research into varieties, it is going to be better invested. Because today you could invest in a variety that you think is great and could have great agronomics and could have great end-use properties, but it might not be accepted in Canada for use, in which case you have thrown your money away. I think going forward, if it ends up being more objective, your research dollars to produce something that has value is likely to pay off because you will be able to bring it through the system and navigate it through the system.

NP: When you are talking about various aspects of the grain—first of all in the varietal acceptance—certainly complex from my reading about it again which is limited, a lot based upon visual ability to grade, a lot based upon resistance to blight, insects and whatever. The group that does the examination of the final acceptance, based on a whole bunch of criteria, was the grain industry involved in that?

JH: Yes. They do have an involvement, but to use the US as an example, US companies have their own seed, and their own seed varieties, and they bring those products up in through their own line. There is an acceptance procedure that they have to go through. But it would be, I would suggest, unusual that a variety that all the work has been done wouldn't be accepted. Typically, what would happen is that the variety wasn't working out, the company would cease the investment in that for whatever reason. Here, again, you don't know and there are lots of issues. Obviously, I think visual distinguishability is what you were getting at, and that is one of them, and that has been a very easy way to grade in Canada. That is gone, basically. We don't have genetically modified wheat in Canada.

NP: Will that change do you think?

JH: It is possible. I think it was going to change anyway. The world is changing that way. I don't think this opens the doors necessarily to genetically modified wheat. It is not necessarily just about that. It is about any number of different things.

NP: Will there be a place for research that is supported by educational institutions, government, and industry, or will it be--?

JH: I think so. Private-public partnership research is prevalent in all countries. I don't see that changing. I think in many respects to the extent that the public institutions have the expertise. We are not going to have our own. We are not going to duplicate that here. To the extent that they have their own expertise and are bringing forth good varieties, I think the chances of getting those varieties up and through the system now are better, which ultimately means that it brings more relevance to those people and ultimately more money.

NP: Again, change is in the air?

JH: These things are all going to change the way we interact. It is all changing.

NP: Yes. So with changes I am thinking—and this is tied in with the research because it crosses boundaries of both research and generalized Canadian marketing—I am thinking of Canadian International Grains Institute and the Grain Research Lab, both of which up until this point have had either substantial input from the Canadian Wheat Board, and to varying extents from the Canadian government, and at least in-kind support from private industry—maybe more than that. I am just not familiar with it. How does that change? Those two organizations—the Grain Research Lab and the Canadian International Grains Institute, the former being long term established research into the Canadian product—what is going to happen there? Because if the government steps back and certainly the Wheat Board steps back and I assume the industry has given some thought to that of whether they will exist?

JH: It is hard to know. I think in the short, short term the Wheat Board is out, but the government I think has indicated they are going to continue to support those organizations. But those organizations are going to have to refocus on what it is they can do and provide evidence that they are creating value for the Canadian grain industry, from producers right through. I think it is not unusual to have government organizations supporting trade, and that is what this would ultimately be doing. I would suggest that probably not unlike these other organizations, it won't look the same, but they will probably continue.

NP: And there might be more input financially too from private enterprise?

JH: I am certain there will have to be private enterprise input.

NP: Does the fact that an organization like Glencore, because there is the cooperative venture there with two Canadian entities, just comment on whether more internationally owned companies will support made-in-Canada?

JH: It is not a cooperative with--. They sold part of the assets to Agrium and part of the assets to Richardson. They are not cooperating beyond the fact that they cooperated to do the deal. They are not operating together. In fact, they are already probably commercial enemies. That was just done to assuage any concerns that the Competition Bureau might have. I don't know where Glencore is going to be. I would suggest it is unlikely that they will be interested in supporting those types of things, but I don't know and that is just one man's opinion.

NP: I don't think there is anybody with a crystal ball. You may make a bet on what the future is going to bring, but we don't know really.

JH: Richardson, they have a much different view on what it is they want to be doing in Canada. They have been around for 150 years. Glencore is a massive worldwide conglomerate. They are just traders. They are not going to have the passion that George Richardson or Hartley Richardson have for the grain business. They don't care about that. They are here to trade. They will look at the worldwide wheat in a big way, and they are going to trade it. It is not going to be so much about what they are doing in wherever they are, Red River South, at their elevator, so much as how does it fit in with their worldwide trading? Their passion is related more to trading. I don't know to agriculture. Again, if you are interviewing a Glencore guy, he could be different. But I would suggest the type of support that Viterra provided to the industry and the type of support that the Richardsons currently give it and will likely continue to give won't be the same as what Glencore does. But Cargill is a multinational company. They are here and they support--.

NP: With a long-term Canadian presence and a Canadian company.

JH: Yes, but they support everything to a high degree. It is not to say that they wouldn't.

NP: Yes. As I listen to your responses—very reasonable, rational and in keeping with reality—my difficulty in phrasing the question here is because Canada is a relatively small player, and with less Canadian flag-waving input, can we support a Canadian industry with the underlying research, transportation and so on?

JH: Canada is actually quite large and quite active in the worldwide agri-business trading environment. We have got probably—not withstanding my earlier comments on the railway—we probably have one of the best and most modern grain-handling transportation systems. The fact that we can't work out how it is going to exactly work doesn't change the fact. And even when you

go and look at the old elevators in Thunder Bay, we have pumped millions of dollars into those. They are in excellent condition. We revamped our entire western Canadian grain handling system from 6,000 elevators to 300 really nice ones.

The railways, although they are monopoly duopoly, they are modern, and the track, they have been spending money on their cars and their engines. When you look at that, and you look at the amount of grain that gets exported out of Canada, we are actually fairly important, and I think that is why Glencore is here. Glencore wants to have a presence here because they are trading all over the world, and they want a presence here. That is why Cargill is here. Glencore wasn't the only company interested in Viterra. There were other big international players interested in it. That is how they got the price up and that tells me that we are important. The fact that the Richardsons are involved at such a high level tells me that these people wouldn't be entering a market that they thought was shrinking or declining or not important. So I think in my view that Canada is going to be important in supplying the demand as it grows worldwide.

NP: The last item on my list here as far as describing interconnectedness of your company with other major components in the industry is your competitors. Over time Canada has had an interesting mix of cooperatives, government ownership--or at least government funding for pieces of the industry--and private industry, which given our geographic situation and our size, has created a system that as you have just said works surprisingly well, and that require you to be competitors and still to cooperate with your competitors, so just comments on competition and any changes that have occurred over time given the other changes that are occurring?

JH: I wouldn't say there is a lot of cooperation today. In the old days, like in the Bill Parrish days and the George Richardson days, they were all friends. They hung out together at the club presumably. I met George Richardson. I don't know him. I met Hartley. I don't know him. I am friends with Andrew Paterson. I don't know him personally. I know the heads of the grain companies, but we don't socialize together. I would say that if there is an ability to cooperate to make something happen more smoothly, companies would probably do it if there was a reason to do, but I wouldn't say there is wholesale cooperation in the industry today. I don't know if there was in the past, but I know that it was a different time. Certainly, today I would say much less cooperative, maybe more professional.

NP: It is interesting that you say that because that speaks for what happens here in Winnipeg, and we have done interviews in Thunder Bay, and that has been a noted change as well in just the terminal operations. That there used to be regular meetings and they would share experiences, share information on upgrades, and it doesn't happen now.

JH: Right, none of that happens now. No, not at all. I think, again, if a boat comes into the port of Thunder Bay and somebody is not ready to load and somebody else can load, the managers would work that out and say, "Can you help me out here and then you can take my grain back?" Those things do happen. They do not happen a lot, but they do happen.

NP: Is that an okay thing or would it be better to work towards--?

JH: It's hard for competitors to cooperate. I think speaking philosophically when you are out to make profit and compete, there are places where you can help do things, but I think really it is just very difficult to do. I guess it could be better depending on what you were cooperating on. I mean, the Western Grain Elevator Association cooperates when it negotiates with the government and that hasn't changed at all. The industry sees a need when the government is involved to speak as one voice. I think in matters of commercial interest, it is extremely difficult.

NP: We are quickly approaching the end of our tape. Major changes in markets and products over your time period?

JH: Obviously canola has increased dramatically. I think 5 million acres was a big number in the '90s now is 20 million acres, and I think special crops in Canada have also grown significantly. All of these more or less at the expense of wheat. Having said that, I actually think that the opening of the wheat and barley market is going to recalibrate that. We might see it go back the other way. I think also going forward where crops get grown in Canada are going to move around a bit. I think that the Wheat Board and their view of how things worked tended to skew the sowing of products in areas that might not be the ideal areas. I think there will be some movement around of where stuff gets grown. I also think that because of that, the trade patterns are going to change, going out of Canada. Some of those trade patterns might in fact help the way we view Thunder Bay for instance.

In terms of emerging markets, really the Far East has been where the business has moved to, and that had already started probably about 1985 or 1986 and that has continued. That demand is going to continue to improve and get bigger and bigger and that would suggest to me that more and more of Canadian products that get grown are going to move west.

NP: One of the things that had come up in previous conversations with people is certainly no one had a different opinion than you did that you just expressed about the growth in the markets through the West Coast. However, the congestion that occurs can sometimes make it viable to ship from ports other than the one where you are sitting waiting to get in.

JH: That's right, and that is going to be a problem, whether or not--. And the railways are going to have longer unit trains, and they are trying to expand the capabilities through the passes. The grain companies are improving their elevators. But it is true, and a lot of that business could come back out through Thunder Bay. The Panama Canal is being widened and it is going to make it cheaper

to go through there, and also vessels freight today is cheap. And if you believe that vessel freight is going to remain cheap, going from Thunder Bay to China doesn't cost you that much more when freight's free almost. To the extent that freight stays low and there is lots of ocean freight coming on stream, which tells me that freight should stay fairly low relatively speaking, we could see that and that is an opportunity for Thunder Bay.

NP: Do you figure that pretty much all of the changes, except for when you were talking about who knows what is going to happen with terminal elevators anywhere, that becomes more desirable because they provide storage, pretty much elevator size and location on the Prairies and so on, can we expect that to stay pretty--?

JH: Location, yes, I would expect it that Prairie elevators will get bigger. As the yields continue to rise in Canada, more crops will get grown, the prices stay good, summer fallow land is going to get used more and more. So the Canadian crop is going to continue to grow in size. It may not grow at the same speed that it's grown, but it will grow. Also, we can seed far quicker, and we can harvest far quicker than we could, which means that the front-end risk of seeding later or early and the back-end risk of getting bad weather has been reduced substantially. Also, shorter-window crops are becoming more and more prevalent—90 days as opposed to 120 days. I think all of these things are going to mean that we are going to get more of the crop we seeded off, and the crops are going to continue to get bigger.

NP: And the farms are going to continue to get bigger is what people have said.

JH: That is going to continue on.

NP: Does that make any difference to you either on the plus or minus side?

JH: No, I don't think so. Farms have been consolidating forever. People talk about farm consolidation, but it has been going on since whenever--. In 1880 somebody had a quarter section. It is going to continue, and I think that is a good thing.

NP: We have covered a lot of bases. I am going to ask you, without repeating yourself, were there major incidents or significant achievements or setbacks that come to mind in your time with the company?

JH: Do you mean as they relate to P&H?

NP: Yes, or even to you.

JH: No. I think our company, we have been blessed by being very lucky, and I think because of that, we are still 103 years later. Ultimately, it has been a pretty good ride for us. The ag business has been up and down for over 100 years and every year hasn't been a good one. We have made a profit every year. Bill probably, hopefully, said that. That is one of his favourite things. We are slow and steady!

NP: No major incidents?

JH: No, nothing.

NP: I think it is more than good luck. [Laughs]

JH: You have to be good to be lucky!

NP: In our senior years from your position at age 48, when you look back at your career, what are your most vivid personal memories?

JH: I was and have been lucky enough to be able to work with the old guard, if you could describe it as that. I got to work side by side with Bill Parrish and Herb Heimbecker, and I had the chance to interact with those old guys. Being able to pick up that level of experience was lucky for me. Lots of guys didn't have that opportunity. I am one of the few executives in our business who have worked in the east and the west, so I have had the opportunity to do both of those things, which has given me unique insight in the ways those two worlds have operated. Now they are obviously going to be closer together. That has been good.

I guess getting to preside over the business through this period. We are actually pretty excited. We could have kept the Wheat Board or not kept the Wheat Board. We didn't have a position, but the Wheat Board is going, and a huge change, and it is pretty exciting! We are also excited to see how it is going to work out and where we are going to fit. Hopefully it will work out well. [Laughs]

NP: As many people say, it will be interesting times regardless of what side you go into the future on. It will definitely be interesting times.

JH: Ag is a good place to be right now. The world is telling us that. All the interest in these companies, the interest in ag stock. So we are not in high tech, which is a great place to be also, but this is an industry that is a good place to be in. You could be in oil and gas today. It is a good industry, but there are significant challenges they have with pollution. We don't have any of those issues. We are considered to be a bit of a clean industry. So it is good. We are in the export business, which is good for Canada. The things we

are doing generally are perceived to be good. We are not making cigarettes. The cigarettes business is growing, and it is growing in China. So they are also in a good industry, but it is much different than what we are trying to do.

NP: We are, as I mentioned to your earlier on, hoping to set up some kind of center in Thunder Bay as a national historic site because we feel it is a national story. If we are successful, what to you would be the important stories to tell the rest of Canada and other visitors from--?

JH: First of all, I think it is a great idea. The old grain industry is going to be soon forgotten. There are not many guys like Bill Parrish and George Richardson around that can tell you. I think it is important to preserve that history. I certainly support that concept. I think Thunder Bay is a great place. I don't know if people will fly to Thunder Bay to see it, but lots of people pass through Thunder Bay on car trips on the way out west or whatever it is. I think it is good. Eventually the rest of those concrete elevators are going to get torn down and nobody is going to remember that there were 28 and where they were, you know.

NP: Any particular stories that you want to make sure are told as part of it?

JH: I don't think so. Thunder Bay could have been Winnipeg. When the trade was up and operating, whether it was going to be Winnipeg or Thunder Bay, there was some question about that. In fact, and I want to say that P&H bought land in Thunder Bay to potentially locate an office. It could have been Winnipeg. You never know just how those things work out and here we are today. It could have been Thunder Bay.

NP: A famous movie line, "We could have been a contender!"

JH: Exactly, who knows? I think the opening up of the market is not going to hurt Thunder Bay. It could only benefit it. We will just have to wait and see.

NP: I grew up in Thunder Bay but spent my adult working years in Winnipeg.

JH: My wife is from Thunder Bay and her family, so I am half in it too.

NP: I always thought the best large city in Canada would have been Winnipeg set in the Thunder Bay setting.

JH: I see.

NP: Any questions I should have asked that I didn't?

JH: No, I think we covered everything.

NP: We have talked about memorabilia, so we should continue to talk about that at some point but offline because we are running out of tape. Are there others you think we should interview? You mentioned John Fields. Is he still alive?

JH: No, he has passed away. From our company you talked to me and Bill, right?

NP: I think that is about it.

JH: No. You have made contact with Tom Polhill in Thunder Bay.

NP: Yes.

JH: He has been around in Thunder Bay. He is a bit of a rough guy and been around forever, and his dad was with the CGC. Maybe he didn't know the specifics of what's happened over the years and who owned what. He is the guy.

NP: Okay. I think I will say an official goodbye, and it won't be the last time I talk to you, but I have found this very fascinating. I am really impressed with the answers you provided, and we end on a hopeful note! Thank you.

JH: Oh, good.

End of interview.