

Narrator: Dennis Kennedy (DK)

Company Affiliations: Canadian Grain Commission (CGC)

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Summary: Retired COO of the Canadian Grain Commission Dennis Kennedy discusses his various positions within the organization, starting in the statistics department doing research and writing reports, then managing the whole division. He describes the kinds of statistics the CGC collected for their publications, the players in the industry who relied on those statistics, and the use of those statistics for other functions of the CGC, like for warehouse receipts, grain weight investigations, and terminal grain elevator audits. Kennedy details other projects he worked on, like providing research for the development of block rail shipping, licensing country and terminal elevators, and developing new protein distinctions in the grain grading system. He describes many changes in the grain industry over his career, including the privatization of inspection, the growing competitiveness between once-cooperative organizations, government cost-cutting measures, and the rise of small independent grain dealers. Other topics discussed include the building of inland grain terminals, the amalgamation of major grain companies, Canada's global reputation for high quality grain, the future of the CGC and Canadian Wheat Board, grain exports through the West Coast, and the preserved CGC statistics reports.

Keywords: Canadian Grain Commission; CGC—Economics and Statistics Division; Grain statistics; Grain industry research; Market research; Grain transportation—rail; Country grain elevators; Thunder Bay terminal grain elevators; Grain elevator audits; Grain elevator warehouse receipts; Grain grades; Grain inspection; Canadian Wheat Board (CWB); Inland grain terminals; Block rail shipping system; Railway coordination; Railcar allocation; Rail line abandonment; Privatization; Grain elevator licensing; Grain dealers; CGC—Grain Research Lab; Grain marketing; Free market system; Government regulation; Grain industry—Laws and legislation; Canada Grain Act; Downsizing; Grain sampling; Grain protein testing; Automation

| Time, Speaker, Narrative |
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| BC: These are the questions. |
| DK: Oh, you've got a big list. |

BC: So I'll just introduce--. Well, of course, we start by thanking you for doing the interview with us. And we're interviewing Mr. Dennis Kennedy. It's Bea Cherniack doing the interview, and it's October the 23rd, 2009. So we'll begin. So you get an easy one to start.

DK: All right. [Laughs]

BC: All you have to do is give us your name and a brief introduction to your connection to the grain trade.

DK: Sure. My name is Dennis Kennedy, and I've worked at the Grain Commission since 1965. Started out as what was called a statistician doing data analysis and putting out their statistical reports but doing a lot of research for the commissioners. Then from there, I became the head of that research unit, then the director of the Economics and Statistics division, and then finally I became the chief operating officer before I retired in 2001. So during that time, there were lots of changes in the Grain Commission and the grain industry. And my job, actually, was quite interesting because I got to work with industry groups that were looking at how to change the structure of the industry, particularly in my early days at the Grain Commission. I managed to learn a lot just by being on some of those work groups because they were cooperating in those days trying to improve the transportation system and the handling system. There was a lot of things. Even though I was a junior employee, I got to know some of the bigger issues that were going on in the trade at that time.

BC: Well, you just said about 14 things that need a follow up question to, [laughs] and you also answered--. People who had a long or fruitful career often will answer the first five questions when you do your introduction. So you've taken care of the span of years for your work career, and where you began your employment in the grain trade. You worked for the Canadian Grain Commission [CGC]. So I think we need to break this down into sections, and I may need the technician's help here to make sure I cover everything. You started out, you said, in the research?

DK: It was the statistics unit in those days, but publishing all the data of the Grain Commission on the movement of grain as it came from country elevators out to the Thunder Bay and overseas. But as part of that, it was also doing a lot of analysis of that information for the commissioners and for their research projects. So it was a research unit.

BC: For someone who doesn't know much about it, can you say a bit more about what kind of statistics and what the implication was and what they did with those statistics?

DK: Sure. The Commission, oh, just had statistics on everything because our people were working in the grain--. Starting at the terminal elevators, here we had the grain was supervised for the weighing going into the terminal elevator, and then it was inspected going in, and it was inspected going out, and weighed going out. So we had detailed records of the grain handling at the terminals, to which was added the marketing information of where the grain had been sold to. So we had a complete run down of where Canada's grain was being exported around the world. So one of our major publications was exactly that, to show where our grain was going, how many countries are buying it, who the biggest customers were, what ports it was going out of, and that kind of thing.

But we also got reports from the licensed country elevators in those days, primary elevators later on. But country elevators, they reported to us weekly about how much grain they had taken in from farmers and how much they had shipped forward to either mills or whether it had gone to a terminal elevator or some they ship down to the US direct. Some of it they shipped down to eastern Canada direct. So we used to put out a publication called the *Grain Statistics Weekly* that would document the flow of grain into the elevator system and the amounts going out. Then once a month we published the details of where the grain going out went to, like which customers. On top of that, we also had a lot of statistics on the capacity of the elevator system itself, like how big the elevators were, how much they were handling in terms of grain, that kind of thing. So there was a lot of statistics.

[0:05:32]

BC: How would they be used? Like this would go to--. Well, obviously it went out into the community because you had this newsletter.

DK: Right.

BC: Who would actually work with those and make policy decisions?

DK: Well, the government departments, of course, used the statistics to keep track of how the grain was flowing and where it was going to. The Wheat Board used it, although they had the information themselves. But they were just confirming the location and whether the grain was going exactly as they had planned for their grains. The people in the grain industry would look forward to that weekly publication just to get an idea of how their grain company was going compared to their competitors. So in terms of what their percentage of handling was. That was mainly at the country elevators, but even the terminals were keeping track because they knew exactly how much they handled, and then they would see how much was shipped in total, and they'd be able to work out their percentage of the business then either get action from their head office or get compliments if they had done well. So the

publications were used quite extensively within the--. When I say “extensively,” I don’t mean that there were thousands of people that read these. Provably, it was more a select group of people who used them intensively.

BC: I’m sure you have a question in that area that I haven’t thought of.

NP: Did the railway system feed into those statistics as well?

DK: Yes. We didn’t get any statistics directly from the railways because they weren’t our licensee, but they cooperated with us in providing information on where their railcars were going. In fact, later on, we operated quite a detailed grain inventory accounting system that--. The Commission was the storehouse of the accounting data for the grain movement. So when a country elevator loaded a railcar, they would report that railcar to the railroad and where it was going. Then the railroad in term would pass that information onto us, and then we would have the detailed record of that particular car in our computer. And then when the railcar arrived for unloading at a terminal elevator, then we would know where it came from and be able to match it up. And so, our people would have an idea of what grain was in the car before it came to the door of the elevator.

Then following the unload, that information was used to make up the elevator receipts and the grade receipts and the weight receipts for the industry. The grade and weight receipts were the Grain Commission’s, but the terminal elevator receipts, we provided a service for them because we had the information anyway that we actually made up their terminal elevator receipt on their behalf, then registered it for them. And then they took it, and when they shipped it out, they brought it back for cancellation. So I’m getting into a different subject, but this is how the industry kept track of exactly how much grain should be in a terminal elevator and whether it was there. It was by this detailed record of what was loaded and registered with the Canadian Grain Commission, and then how much was shipped out. And then they called that cancelled, the cancellation of the registration. So that meant that the grain had been shipped from the elevator. That was how the detailed record of the stocks were kept.

BC: So that would really run all the way up to the system. Because I’m thinking of other interviews we’ve done where people have talked about feeling very proud that when they actually sold, say, even internationally, they could tell very precisely where the grain came from. And if there was ever any question in the system or any problems, they had the whole system that went all the way back down. They could say, “This was the grade. This is where it was.” So this fits in with what you did.

[0:10:02]

DK: It does pretty well. Like our statistics certainly kept track of what grain went from Canada to all the customers, but we didn’t keep track of which companies had sold it because that was proprietary information. It wasn’t something that could be released. But

those companies would know that they had shipped to Russia, for example. I remember when Russia was a big customer. Then they would see what share of the business they were getting to Russia that way and could feel good about it. They also could probably keep track through their own payment records because they had to get paid for that grain along the line. So they had another trail they could follow as well. But I'm sure the statistics that we published had some value to them in keeping track of what they were doing.

NP: I have a question. That just sort of raises a couple of questions. First of all, did these statistics play any part in the audits that were done?

DK: Yes.

NP: Can you say something about that?

DK: Well, this whole registration and cancellation process was designed so you had a precise accounting for the grain that should be in the elevator. Then every two to three years, they would send a crew into a terminal elevator, and they would weigh it over as they called it. That meant taking all of the grain stocks in store—they tried to choose a time when the elevator was relatively empty—and then they would weigh the grain that was physically in the elevator. So then you would compare to what was there in actuality to what should have been there, and then that would determine whether the elevator was over—had more stocks than they should—or whether they were short. There was always some difference between the accounting stocks and the real stocks because companies were able to recover from the dockage.

When grain goes into the elevator, they have five percent dockage, but that dockage would include some usable grains. So the companies would all develop fairly rigorous systems for extracting the valuable grains out of the dockage, and then putting it back into the appropriate grains. If it was oats they were taking out, they'd put it into oats or whatever. So they would tend to always be over on the net quantities of grain, but of course, the gross amounts weighed in including dockage and then the gross amounts weighed out including any dockage in the shipments, they were much closer because grain doesn't disappear. You get a bit of dust buildup and that kind of thing. Basically, they were much closer.

BC: Okay. I'm not quite sure, just because--.

DK: It's complicated.

BC: Well, dockage. Dockage is the--?

DK: Oh, yes. Dockage. Dockage is the--. You should talk to a grain inspector about this. That's one area I don't know much about, but I do know that--. See, when a farmer delivers his grain, it will include wheat, good quality wheat, but it will also include some wheat seeds, include some dust, could include some stones sometimes in extreme cases. It could include a variety of other materials in that grain in that delivery that aren't grain. So he would only get paid for the grain part. So if he delivered ten tonnes of grain, but he had ten percent dockage, he only got paid for nine tonnes. The farmers used to call it "tookage." [Laughing]

NP: Going back to the audit again. So you, I think, explained quite well how it worked. Why were audits done? And what was the cause for really concerning differences between what should be and what actually was?

DK: Well, there were two levels of concern, really. One was the quality maintenance issue, and you wanted to make sure that the elevators were maintaining the identity of the grain as they handled it. In other words, they weren't mixing low quality grains with higher quality grains, except to the very small degree that was allowed within tolerances. So if an elevator had a big overage in the top grades of grains but huge shortages in the lower grades of grain, then that would be a concern. So they had to live within tolerances to protect the quality. This is basically wheat we're talking about because for the other grains, there basically was one or two grades for each of those. That was one thing. The other thing was that the Wheat Board and other people would own the grain in the terminal elevators, but they didn't have a physical presence at the elevator to monitor what was going in and out. So they were relying on this process of accounting of the grain going in and out and weighing the grain over periodically to make sure it was really there. It was just a protection for them.

[0:15:46]

NP: What happens if the concern was real? What would be the consequences for the--?

DK: Well, the elevators were all very careful to try to make sure they didn't have excessive overages because there were limits to the amount you could be over in the top quality grades, for example. So they worked very hard to make sure they stayed within those limits. But if they did, there was provision for that to be seized, and then if it was wheat, then the value of that excess would go to the Wheat Board. Now, that did not happen often because the companies knew that the system was in place and tried to make sure that they didn't have to pay any money to the Wheat Board after an audit. [Laughs]

BC: I'm a little confused, and probably this is good because the whole idea is for people to understand the grain industry. What would be so wrong--. If you've got an elevator, and what if a particular year all of the wheat that came in was really high grade? What would be wrong with having your elevator just full of high-grade wheat?

DK: Well, yes. But I guess we're just keeping track of what came in versus what came out. So if it was all high grade wheat coming in, it should be all high grade wheat going out. But if you had a mixture of grades coming in and it all went out as high grade--.

BC: High grade, oh, okay. I see. Now I get it.

DK: Then there are limitations to the amount of blending.

BC: Yes, I understand now.

DK: It is a complicated issue. Some of those audits were very difficult to work.

BC: I'm just thinking where to go because you said so much right at the beginning around you worked in the research. You were, at that point, somewhat of a junior person, but you had a lot of opportunity to interconnect with all of the stakeholders in the whole grain industry. So if you could talk about that.

DK: That's probably one of the reasons I got interested in the Commission is that back in the late--. I started in 1965, and back in the late 1960s, the transportation system was not very efficient. What was happening was the coordination of getting grain from the country to the terminal elevators was rather hit or miss, and shippers would flood the country elevator system with orders of cars to be shipped. Then the railroads would place the cars where it was convenient for them. I wouldn't make that sound like its critical of the railways, but they would have a process, and they would decide to place cars in a certain area. And the elevators in those areas tended to have shipping orders on hand that they could choose whatever grain they had available and ship it. So if there was an urgent need for a particular grain at a terminal to meet a sale, this wasn't a very good way of ordering grain.

So the industry worked together. They had what was called a transportation group. I wasn't on the group, so I was only doing background work for the Commission members on the group. But they ended up with what was called the block shipping system. What they did is they grouped--. Because there was 2,000 shipping points in those days. There's a lot less now. They would group in logical sequences groups of stations and call that Block No. 1. Another one would be Block No. 2. And the system was that the railroads would agree to apply—agree with the Wheat Board and transportation coordinator—to place a certain number of cars in each of those blocks the next week. Then the shippers could choose what grain they're going to draw out of those blocks by looking at what was available in that shipping block versus what they needed. So the whole idea was to get more control over what would move forward so that they could ship grain that would meet the actual shipping needs at the terminal.

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It was a vast improvement over the system before that, and it had to take the cooperation of all the grain companies and the Wheat Board and the Grain Commission to make that system work. And the railroads, of course. In those days, they did agree. They sat down and worked out a system. Nobody was completely happy with it, but they all accepted it, and so that system came in. It worked for a number of years much better than the old system but not perfectly because you still have snowstorms in the winter, and you still have floods in the spring. So nothing ever works entirely as you planned it to work, but it was an improvement over the original system.

BS: Who would have been the driving force to have that come into play?

DK: It was the Wheat Board that was the primary pusher of it, but all the shippers even of the non-board grains—like flaxseed and canola—they were having trouble getting canola out when they needed to to meet their shipments too. So that's why they all agreed to sit down and work out a system that would function better. They had to keep improving that system over the years and making changes to it, but that kind of cooperation lasted until about the 1990s when that more intense competition arose within the grain industry. The country elevators started putting up those large inland terminals, high throughput elevators with the large car spots. They started wanting to get more direct access to shipping. They were less willing to be controlled by a transportation coordinator to allocate how many cars they were going to get each week. So that block shipping system broke down—and I can't remember the exact date—but it was sometime in the '90s. Now there is some coordination that goes on still, but it's much more--. The meetings I sat on just before I retired to try to develop a system that would replace the block shipping system were much more aggressive, aggressively competitive with each other, with no one wanting to agree and threatening to go to court. They did eventually work out a system about the time I retired, but not with the same degree of cooperation, let's put it that way.

BC: So these large inland terminals, were they wanting to be everything to everybody? Like almost be on their own because they could do anything. They didn't need the other because they had all the services in one place.

DK: That was partly it. Like they had spent large amounts of money to put up very big elevators with large track beside them so they could load 100 cars at a time, or 50 cars at a time depending on the elevator. Some of them even more. So then they didn't want to be placed in a system where they were only going to get 50 cars a week if they could load 100. So there was always this pressure that, "We've got this facility. We want to use it." It was quite a legitimate concern when you've invested that money. There was also a growing competitive spirit that they should be able to deal with the railroads and get whatever cars they needed from the railroads on that commercial basis. The railroads thought that was a good idea that they should be able to deal with their customers

and give them whatever cars they wanted on a commercial basis. But because you had the Wheat Board in there trying to ship grain through a number of shippers, it got complicated a bit and needed some kind of coordination.

NP: Can I ask a question? I hope, Bea, this doesn't throw you off your schedule of questions here. But you talk about the inland terminals. I can see where the companies would benefit. Were there any losers in the changes to that system? And what was the impact on the services provided by the Canadian Grain Commission?

[0:25:16]

DK: I think there was an impact. The impact was good for the railroads, made the railroads efficient. Instead of taking 100 cars out and putting 10 at each station, they could now take 100 cars out and drop it off at one spot. I think for the companies that had built the inland terminals, it gave them more drawing powers. So they could select certain grains that were needed and get them to port quickly. Now, the other aspect for the railroads is it meant there were fewer shipping stations, and therefore, they began to abandon railway lines that did not have enough traffic to justify maintaining them. That, of course, was a problem for farmers that were living close to those stations. So there was always that desire by farmers to have their local station stay open and the desire by the railroads to just have one line that they could run a lot of cars down and not have to service the smaller lines. So there was a lot of animosity between the railroads and the small farm groups.

You've heard of short line railroads probably out west? When they abandoned some of the branch railway lines, farmer groups or other companies started up short line railroads. What they would do is continue with a modified type of engine, go down and shunt cars down the tracks so they could be loaded, and then they would shunt them back to a central location where the railroads could pick them up and take them on. But eventually—I haven't been keeping in touch—but my understanding is that the short line railway business, only a few of them have been successful. I've been out of it, so I don't really know why.

BC: In Manitoba, what would be an example of a short line railroad?

DK: [Laughs] There's one, the name's on the tip of my tongue. One just out here in southern Manitoba. I've forgotten the name. It was operated by a company that actually owned some elevators on the line, so he started the short line railroad to service his own company plus others. I don't remember the name of it. Last I heard, it was still being quite successful.

BC: What would be some of the towns that that short line would be on, can you think of any?

DK: It was--. Oh, I'm trying to remember. It was out towards Carman, but I don't think Carman was on it. It was over in that area.

BC: Okay.

DK: It was a fellow that operated a mill. See, after you retire for a while, you lose all these names that used to have--.

NP: The other side of my question was the impact on the services provided by the Canadian Grain Commission.

DK: Yeah. Now that got to be a difficult issue too because as the elevators got larger, and as the markets in the US opened up, there became the opportunity for companies and the Wheat Board to ship grain directly from the Prairies down to the United States. Whereas it tended before that most of our grain was going to overseas markets. Some was going to the US, but small in relationship. So now there was a growing market for high-quality wheat and high-quality durum in the US, and these big elevators could load 50 or 100 cars of it and ship it directly to the US. Now, the Wheat Board wanted to have it inspected, of course, to protect themselves, make sure that they were shipping what was on the contract. So the Grain Commission started providing that service, but it was much more expensive to provide that in the country than it was at a terminal elevator where the grain was all coming in from one place, and you could have two or three inspectors doing it. But here, you had to send crews out to do sampling as the train was loaded and then come back and--.

BC: At one of the inland terminals?

DK: Yes. So it was more expensive for us, but also at that time this whole—about the '90s—the developing attitude that commercial freedom, that there should be the opportunity to have their grain inspected by parties other than the Grain Commission. At first, the Wheat Board, who was the big shipper to the US, required it to be inspected by the Grain Commission, but towards the end just about after I retired, they chose to use some of the private services, like private companies, to inspect the grain. They would certify that it met the standards for Canada Western Red Spring wheat or whatever, but it wouldn't be Grain Commission people going out and doing the inspection.

[0:30:49]

BC: Isn't the Wheat Board and the Canadian Grain Commission both arms of government?

DK: Yes.

BC: So how could--?

DK: But the Wheat Board is not really an arm of government. It's a government-created corporation, but it has a very loose relationship to the government. The government can set some policy for the Wheat Board to operate on within the Act. And I know there's been a lot of discussion of this in the paper over the last few years, but it's not--. Whereas the Grain Commission was an independent agency but reported to the Minister of Agriculture. So the Minister of Agriculture had much more control over the Grain Commission than the Minister of the Wheat Board had over the Wheat Board, in terms of deciding issues. For example, the Grain Commission needed funding to operate, whereas the Wheat Board didn't. The Wheat Board operates on borrowed funds. It used the government's--.

NP: Guarantee?

DK: Presence, guarantee to get very economical credit, but it didn't actually need money from the government. Now, there were some programs where the government did provide money to the Wheat Board, but that was generally of the benefit of producer members of the Wheat Board. Whereas the Grain Commission was more--. It was independent, and it was very important that the integrity of the organization not to be influenced by--. You wouldn't change grades because the government told you that grades could be changed. But you had to operate with their limitations of budget and staffing. So it was quite a bit different.

BC: I'm just surprised that the Wheat Board could decide to use private inspectors, that there wasn't a check and balance in place.

DK: Well, they decided to use it because it was cheaper. [Laughs] And part of the reason it was cheaper is the Grain Commission has a lot of things it does that they can't charge for. Like every year they would do a harvest survey of the grain quality, collecting samples and analyzing the samples and making up a prediction—it was called a standard export sample—to show the Wheat Board what they would be able to sell in the next year. That was quite a costly process. Just as one example of things we did that we couldn't really charge anybody for--. And the way we would cover the revenues to cover those functions was providing services. So when the Wheat Board would choose to use a private service, then, of course, the Grain Commission isn't getting the revenue needed to support the background things. So the Commission, when I left, they were in a rather difficult financial position to say the least. Again, I've been retired nine years, but I haven't heard that it's got any better. So there are problems like that.

NP: In the long run then--. And I'm assuming that the process of hiring the independent firms still continued. It wasn't just a short term situation?

DK: No. As far as I understand, they still use private services.

NP: Does that have implications for Canada's customers?

DK: Well, I think it would be nice to say that the Grain Commission has the independence and integrity to be able to provide service that no one else can, but if a company assesses the grade accurately and certifies it and stands behind that grade, I guess in a way they are fulfilling the deeds of the user. As long as the--.

[0:35:11]

NP: No lawsuits or repercussions that have--.

DK: Haven't heard of any. I haven't heard of any. Year ago in the United States, they had similar situation where private companies were doing the grading, and there were some problems. That was many years ago back in the '80s. There were some problems of corruption and that kind of thing. But I haven't heard. They have the same system there where they compete. Private companies are able to do the grading in the US, and I haven't heard of any problems there either. So it was unfortunate for us that they chose to use those independent services, but they did.

BC: Before I leap forward, I just wanted to leap all the way back. How did you end up working at the Grain Commission?

DK: [Laughs] That was really strange because I was a city boy, and I didn't even know what grain was. But I was in my graduating year, and the employment officer called me up saying the Grain Commission was coming out to interview people for a position. She couldn't get anybody to come out and would I please come and be interviewed. I said, "Well, I don't know anything about grain." "Oh, come in anyway." They gave you a poster, and if you've ever seen a government job poster, you know that--. You don't know them?

BC: No, no.

DK: They'll have a page, and they'll talk about, "Must have a detailed of knowledge of the interactions of the grain industries." I looked at that and I said, "Well, what would be the point of my going to the interview? I don't know any of these things." She said, "Oh, come, come." I went, and the people were very nice and interested and asked me some questions. I thought that was the last I'd ever hear them, but then they called me back for a second interview. They must have had a tough time. [Laughing] But anyway, they offered me the job, and I took it. I was really happy I was able to learn about the grain industry fairly quickly. Probably not as quickly as a farmer could, but--.

The Grain Commission, because it was a relatively small organization, you could really see—as somebody else told you, maybe not with the Grain Commission—but you could really see the results of your work. It wasn't like you were working in a vacuum. It seemed like if you did something—in my case, I was writing reports—and if you saw that it accepted it and it ended up being a rule in the trade or they made some decision based on that report, then you felt really good. So you could see the results. So I liked that, being in a small place. It was only later on when the government started flexing its muscles and trying to make the Grain Commission be just like every other government department that it got a little more difficult to maintain that.

BC: What kinds of things did they do when they started doing that?

DK: It was just this whole system that if your position comes open, you have to consider everybody in the government--. From the government's point of view, if you have an employee who's going to lose his employment, and a position is open in the Grain Commission, you want the Grain Commission to hire them. But from the Grain Commissions point of view, if you're trying to maintain a core of people who really understand the organization and feel good about it, then if they keep seeing people who don't know anything coming in, it's not good in the long run.

BC: Now we'll step forward from when you initially went in with the research, and you said that your next position was the director of statistics. So how was that different?

DK: Well, it was much broader because it was still called Economics and Statistics, but we were responsible for the licensing of the elevators, and the licensing of the elevators also involved them posting security to protect farmers from losses. So that was one aspect of what we did. So we also operated that information system that I was telling you about where the records of every carload of grain got into our system until it got unloaded. So that was a large area of work, and also a good money maker because we charged the companies for that. It was a good revenue earner. We also had that registration and cancellation program, that was in that same division. It's just a broader set of responsibilities. Eventually we added things like libraries. Everything that didn't fit somewhere else ended up in this division.

[0:40:34]

BC: What's involved in licensing an elevator?

DK: Okay. Licensing an elevator meant that they had to have a proper facility to do the business that they--. If you want to operate a country elevator—or primary elevator now—you have to have a facility that is capable of doing the things that a primary elevator is supposed to do. Same as a terminal elevator. You have to be able to perform functions that are laid down in the Act that terminals

are supposed to do. Then you have to be financially responsible. So that means we have to renew their financial records to see if they look sound, and then they have to be able to post sufficient security to protect the people that are dealing with them. That's all a very complicated process because at one time when there was eight companies basically ran the grain business—they're all pretty large, solid companies—so that was pretty easy to license them and get security that you would feel was sufficient to protect the farmers. But when there got to be 80 grain dealers out there buying and selling grain from farmers--. If it seemed like a fairly large operation in that area, they would buy a million or two dollars worth of grain, but they didn't have the financial resources that the big companies did, so we had a number of those go bankrupt. That was difficult sorting that out.

BC: Just for me to understand, it started out with about 2,000 little grain elevators, right? And then they went into these big terminals.

DK: Right.

BC: So those reduced. So when you talk about eight big players--?

DK: Okay, yeah. I'm jumping ahead of myself, but you're right. There was, starting at the country elevator level, there was probably eight large owners of those country elevators.

BC: Oh, okay.

DK: There might have been one, two, or three smaller companies, but they were more like owned by somebody as part of another business, so they were also pretty sound financial organizations.

BC: Who would the eight be?

DK: Well, at that time it was Cargill, of course. You had three Pools. You had UGG [United Grain Growers]. At one time, you had Federal Grain, Pioneer Grain—I'm going to name up to now—Parrish & Heimbecker [P&H], and Paterson. National Grain was the one I'm forgetting. But then they gradually started merging until there was less of those. But as they were merging, at one time virtually all grain was sold through country elevators. It was either to a country elevator, or a farmer would take it to a process elevator, which was another type of elevator. It would be a flour mill or an old crushing plant, or it would have a specific process that it would be buying grain for. Again, those were fairly limited in ownership.

But then as the companies consolidated, then you'd have—I'm speculating—more individual farmers felt that they wanted an alternative, so they started dealing with grain dealers who didn't have large facilities, but they would make deals with the farmer to buy his grain, and then they'd make a deal with someone to buy it. And they'd handle the transaction, and they'd bypass the system sometimes. Or sometimes they would still put it through a terminal elevator, but usually they were shipping it direct either in railcars down east or containers to overseas. Its those people that they got to be quite large, but it was very difficult to--. You looked at somebody's records, and it looked like they were financially solvent at the time you licensed them. They could go make a deal and lose \$1 million during the year, and they could be insolvent very quickly.

[0:45:19]

BC: Would they be individual people, or would they have little company names?

DK: Some were individual people, but they would all have a company name. Two that went bankrupt right off the bat--. I became director in April, and these guys went bankrupt in the next fall. So they were Memco and Econ Grain. Since then, there's been a number of other companies gone out of business, but for these ones, our systems were rather rudimentary. Like we didn't have a good system for monitoring the financial health of a company on an ongoing basis. So when we decided that this is something we should do, we sent some auditors into those companies and found out that they owed a lot of money but had very few assets and ended up going broke. [Laughs] Now, since that time—after that time—we tightened up on the security that they would have to provide, which was a source of great aggravation to farmers and these small companies because it meant that they had to raise so much working capital that it restricted entry to the business. So that was the opposite side of it. You're trying to make sure famers are safe, but then farmers want competition. So they don't want you restricting it too much. Since that time, a lot of them that are gone out of business, there may have been some shortfalls, but most of them got all or part of their money back from the security.

NP: So with those two that you mentioned that occurred so shortly after you--.

DK: They sued us.

NP: Ah. And what was the outcome of that?

DK: They won.

NP: Now, you say "they" sued you. The companies or the farmers?

DK: The individual farmers sued us.

NP: And their case was--?

DK: Well, the case was that we were licensing them, and the Canada Grain Act said we would get securities from the companies to protect the farmers' liabilities. That's not the wording. I don't remember the exact wording anymore, but there was an onus on the Grain Commission that the court decided was there that their liabilities--. What the farmers were owed should have been protected. The only problem is it's almost impossible to do because those liabilities can change from month to month by hundreds of thousands of dollars. But regardless, that's what the government decided, and ever since that time, the Commission tried to get the licensing requirements of the Act changed to be more manageable. [Laughs] Instead of the onus being on the Grain Commission to have the money, the onus should be on the company to have the money. Tried to develop systems where there might be a group insurance scheme or a common bond scheme of some kind, but never were able to get one working.

BC: So when you retired--. And your sense of today is that the main players are basically the eight that have merged down into maybe three?

DK: Yeah. I guess it's about three now, yeah. And by the way, those companies also owned the terminal elevators, so the industry was owned by those ones throughout the system. It's not necessarily that a big company couldn't be financially insolvent, but it's just that they had more resources to work their way out of problems.

BC: More assets if they had--.

DK: But one of the companies that went bankrupt in the early days just made a very bad trade and lost a couple million dollars. Hard to recover from that when you don't have a couple million dollars. [Laughs]

BC: Any other questions I should ask you about when you were director of statistics? Is there part of that job that you should tell us more about?

DK: I think that was the period when the Commission was expanding. The grain industry was growing, exports were going good, the revenues were strong, and the Commission was providing a service that seemed to be well appreciated by everybody. So it was a pretty good period. There was always problems of trying to reduce your costs and everything, of course, but there was some expansion of providing service into eastern Canada. But it was a more stable period in the '80s, let's put it that way.

[0:50:53]

BC: And you retired in--?

DK: 2001. I was--.

BC: Okay. So you were on the other end--.

DK: I was the chief operating officer for the last five years, and in that time, we really started getting into a financial crunch because we were under a mandate to collect 90 percent of our--. To recover our expenditures through fees. But the government, for five years in a row, refused to allow us to increase our fees, but they wouldn't give us any more money. So we were running this bigger and bigger deficit every year. I guess from the government's point of view, they were preaching restraint within all the government, and so they were reluctant to approve an increase in budget to the Grain Commission, even though they could recognize that the industry was changing so that the Grain Commission wasn't going to be able to provide all these services it was doing without either higher fees or bigger appropriation from government. So for about five years—unfortunately, the five years I chose to be chief operating officer—that was the biggest thing on my agenda was trying to get the government to increase our fees or give us more money. [Laughs] Seems like a simple choice. “No. We're not going to do either.”

BC: So how did that impact on what the Grain Commission did in those five years?

DK: Well, it made it very uncertain. When you're running a deficit and the Treasury Board's after you not to run a deficit, it makes it very difficult in how you're going to work your way out of this in the long run. Now, you know it's got to be a decision of the government at some point to either do one or the other—increase your fees or give you an increased appropriation—which they did. Just as I retired, we got some extra money out of them to get us through a couple more years. But the other thing is we had to look for ways to economize, and we had to look for--. About the same time that we were having this financial crunch, the government was on a—as part of its restrain program—was reviewing all programs to see which ones should be eliminated or reduced. The grain industry was working with the Grain Commission to look at what services of the Grain Commission were no longer relevant, or they didn't need anymore. Unfortunately, the ones that they were interested in us not providing anymore were the ones that we made significant revenues off that enabled us to run all the other services.

Like it was very difficult to charge fees for running the Grain Research Laboratory, and yet the Grain Research Laboratory over the years was an extremely important marketing tool for the Wheat Board especially, but for other grains as well—barley. So if you cut back the revenue base, then it makes it difficult to maintain those services. So it's quite a quandary. People want more choice in

choosing services, but on the other hand, they don't want to pay for things, but they don't want you to drop the things you're doing free. When we were going around in these reviews with the grain companies, we were trying to say that, "Either we need the fees increase like this to provide all the services we're doing, or we need to charge for harvest survey." Well, nobody wanted to charge for harvest survey because it wasn't a direct thing that their company was using, but it was important to the grain trade.

[0:55:14]

Or an audit. An audit was an important tool of the system, but nobody wanted to pay cash upfront for an audit of their elevator. And the Wheat Board didn't want to pay for an audit. So it was very difficult. People wanted you to provide these, what I call, important services but not the kind of services that you can really say, "It's Joe Blow over here that should be paying for the service," because its sort of benefiting the industry as a whole. So that's still the quandary they're in now, I'm sure.

BC: So not looking at the big picture.

DK: All those beautiful statistics we collected and people used, nobody wanted to pay the full cost of collecting them.

BC: So in that five year period, what changes did you see?

DK: Well, we made some reductions in staff. We reduced the administration staff in head office and in the ports. We reduced the Grain Research Laboratory staff. It's one of the situations where we weren't doing these because the services weren't necessarily needed anymore, but we felt we could afford to provide them anymore, so we had to reduce staff. So that was a difficult process to go through, trying to decide how to do that. I guess we also tried to develop proposals for new fees for new services, which after spending a couple of years on that and trying to get customers to agree to pay for them, the government refused to Put any new fees in. Yeah. I can be a little bitter about the government now that I'm retired. [Laughing] At the time, it's entirely their call, of course.

BC: Oh, yes. But still, it's challenging.

DK: Yes. The changes in terms of the grain industry itself was more this feeling of an increased animosity between the participants, which made it difficult to get any cooperative issues resolved. The companies had gone back to hating the Wheat Board, hating the railways. The Wheat Board hated the railways and the companies. Or maybe they wouldn't say they did, but they had differing interests, let's put it that way. So when they were trying to resolve issues that needed to be approved, it was very difficult to get agreement to be able to do that. Whereas, I guess, 20 years earlier in a happier time, they had done that block shipping system which I talked about. They had developed a non-board feed grain business. At one time it was all sold through the Wheat Board,

but they carved out a part of the feed grain market for domestic Purposes to be done by private companies. They managed to make that work through cooperation. There was just an ability to resolve some of those issues. [Thumping] Is this going to bother your equipment?

BC: No, not at all. No, it's fine. [Laughing]

DK: Seems like the roof's going to fall in!

NP: Only if they fall through the roof will we--. [Laughing]

BC: That's the only thing that would--. Did you want to ask a question?

DK: I forgot where I was.

NP: Yes. Well, you were talking about the big changes and the lack or decreasing cooperation between the players.

DK: Yeah. Well, don't get me wrong, there were huge changes going on in the industry overall because the elevators were all becoming bigger, and the terminal elevators were closing down, then the ones that remained were becoming higher throughput and much larger. There were bulk handling facilities started shipping grain through them instead of--. Do you know what a bulk handling facility is?

BC: No, no.

DK: Okay. It's a facility that is not a grain elevator. Like a grain elevator has storage, but a bulk handling facility is a type of an operation where you swing a trainload of railcars through, and they will unload those railcars directly into a vessel.

[1:00:16]

BC: Ah.

DK: Some of them have a few bulk tanks so that if a vessel isn't there, they can unload the grain into a bulk tank and then into the vessel. So the grain still had to be inspected, but it made it a much different operation. There was one of those in Thunder Bay, for sure, and there was one or two of them at Vancouver. They weren't huge players, but it was just a sign that the industry was getting

more diverse. A lot more grain was being exported in containers so that a small firm in a local town would sell some grain to China, put it into a-- Well, maybe China is a bad example. It was more a country that was private-industry oriented. Say Japan. So he would sell a container of beans or peas to a country somewhere, and it would go through intact. So it would be a sale direct from this small merchant here to a buyer over there. So it was getting to be more of a one-on-one business. Again, not huge volumes but increasing.

NP: And how was inspection and weighing carried out in those instances?

DK: Well, in those instances because they were so scattered, generally they would send in a sample. They would guarantee to send-- They would send in a guaranteed sample. Or if they had enough business, they could hire an inspector to go out and get an official inspection going in, but it was much cheaper for most of them to send in and guarantee that the sample represented the lot. Now, in that case, maybe the risk isn't as bad because that merchant's name is on the shipping documents. The container stays identity-intact and gets over to the user. And if the grain in there isn't what it says on those documents, then the ultimate purchaser won't pay, and they'll get into a dispute over payment. So there is a lot of incentive for the merchant to ship exactly what he's selling. It's not a good place to try and put in a poorer quality grain than you contracted for because the--.

BC: As long as the receiver is sophisticated enough to know what they're receiving.

DK: Well, that's right. But they always say, "Well, that's the free market system." But.

BC: Well, where do we go with all these questions? [Laughs]

DK: I guess the other thing is the huge amalgamations of the companies in the last five years of my career and since has been just an amazing amount of business. Where you had three Pools and then all of a sudden had one Pool. Then that one Pool becomes a private company. That was just happening at the tail end of my stay. I guess the three Pools had amalgamated about the time I retired, and then shortly after that United Grain Growers took over the three Pools. And then after that, United Grain Growers got taken over by Viterra, I guess, it is now. So quite a bit of that stuff happened after I retired.

BC: So who are the big players now? Viterra, Cargill. Who else?

DK: Yeah. I would think that Viterra has got to be the biggest, but Cargill's still around. And you've still got those two private smaller companies. Paterson and Parrish & Heimbecker seemed to have carved out a niche business for themselves.

NP: And Richardson's.

DK: And Richardson's. How could I forget Richardson's?

BC: Okay. So those really are the main players in this country then at this point.

DK: Yeah. I don't follow it as closely as I used to, but I think that's right. I don't know--.

NP: From the west. Like there would be Bunge and--.

DK: Oh, yes. If you start working into eastern Canada, you've got Bunge and you've got--. That's the biggest one down east, but there are some other grain companies down east that ship eastern grains. But then some of them also ship western grains because they go from Thunder Bay to Quebec City into the Bunge Elevator, Quebec City, and then overseas. IN a lot of those, Bunge is that actual exporter as well, so they provide the grain handling facility as well as being the exporter.

[1:05:20]

BC: Are they a Canadian company?

DK: No, no. I forget what ethnic--. I thought they started in France, but it might be US. I always forget where some of these ones started.

BC: I've never heard of it until today.

DK: Oh, it's a big company worldwide, but it's not that big in Canada. It's big in Quebec, but not that they--.

NP: And there's one other out of France, but I can't think--. A long, long, long term. It's probably on the tips of both of our tongues.

DK: Yes. Oh. Louis-Dreyfus.

NP: Right.

DK: Is another big--. They're mainly exporters, so they would buy grain off a Canadian merchant and then sell it to another merchant overseas. But they do have some facilities here for handling grain as well.

BC: Actually, that name came up in another interview as partnering with Canadian companies.

DK: Yeah. That's what they do too. These ones that don't have facilities out west, they get partnership agreements or merchandising agreements with local western companies.

NP: I have a question about sort of a little service that's provided. The person I'm aware of that was in that position—and I don't know if he was at the time that you were at the Commission—but Bill Tebenham in Thunder Bay--.

DK: Oh, yeah. Mmhmm.

NP: Doing investigations.

DK: Well, investigations of weight losses.

NP: I imagine.

DK: Yeah.

NP: What does that--?

DK: Well, Bill Tebenham, unless he's changed his job, he used to be in the weighing area. And so, when you load a vessel with grain—and they're large vessels—and then if it gets to the elevator in the St. Lawrence that's unloading it, if they find there's a shortage on the grain and if the grain has been weighed--. If the weighing of the grain has been supervised by the Grain Commission at Thunder Bay, and then if the weighing of the grain has been supervised at unloading at the St. Lawrence elevator and there's a difference, then that raises the question of, "Why?" So someone like Bill and other people before him would have the job of going through all the records of the loading elevator and the unload elevator to look for any possible errors in the documents. They would check the scales to see if there was any something like that. They would check the boat to see if whether there were partitions where the boat was leaking grain into--. It did happen. Like some of these boats have double hulls, and then you get a leak, and some of the grain would go into the--.

NP: The coal on the other side.

DK: Yeah. And it could be just as simple as sometimes the boat, they're in a hurry or it's raining. They don't fully unload the boat at the one end. All kinds of reasons have been discovered for why these types of things occur, but it takes quite a thorough and lengthy investigation to actually pin it down.

BC: And with the checks and balances in place, how often would a situation like that arise?

DK: Well, actually, not too often. But what they did was they would track the performance of elevators and ships, and they would see a trend. Then they would say, "Okay, this ship has a problem because we're getting shortages too often on this ship." So they would go investigate the ship. Or there would be a certain loading elevator where a shortage was being reported frequently, and then they'd go do a thorough check of the scales and same at the unloading elevators. So there could be some malfunction, and the malfunction could be very slight because you're talking about big volumes of grain. If a scale was out by a fraction, it could amount to a lot of grain in a boat load. You'd probably have to ask somebody like Bill or somebody who's got a weighing background about the frequency of those. I know it was frequent enough that we had a program to do that. We wouldn't have done it if it wasn't worthwhile. [Laughs]

[1:10:12]

BC: This is a broad question, but your sense of the role that you and the Canadian Grain Commission played in Canada's success as an international grain trader.

DK: Well, I think it's been amazing over the years. I think starting with the quality of the grain. The farmer grows really high-quality grain, so that's the start of it. Then in the US, they also grow grain of equal quality in some areas, but by the time it gets into the ships or over to a customer in Europe or Japan, that quality is no longer intact. It's been mixed with other grains of inferior quality. I think the Canadian system is, first of all, having the work of our grain research lab to help identify varieties that should be grown here so you're growing a good quality grain. Then we have systems so that the country elevators handle that grain in a way that will protect its quality, and then same with the terminals. Our country doesn't allow a lot of blending. So that means that the quality of the grain growing out is still very high and very specific. What end users want is if you're buying Canadian wheat to blend in with your weaker flour you have locally, you want that wheat to be of a consistent, uniform quality so that you can do your blending with your wheat much easier. Or if you're using it to make some other pasta, you want a good durum that's going to perform making your pasta properly.

So I think the research. I think the inspection throughout the system of keeping those qualities separate. The rules of the operation of the elevator system. And then the market support programs of both the grain inspection division and the GRL, so that if the GRL would go on—and usually with a grain inspector—would go on market tours to Japan, China, Britain, Europe, and they would explain what the new quality of the grain coming out this year, what it was going to be like, what the characteristics, how it might be different than last year's. That would prepare the clients for what to expect and make their job easier. Also, if there ever was a complaint, those same type of people would go over and meet with the miller or the processor to find out why the grain didn't perform the way the miller had expected and usually would be able to tell him how to modify their process so that they could get a better quality out of it.

Generally, there was a report done back in the early '90s by the--. It was done for the US government, and it examined the grain business. And it took it from the point of view of surveying customers around the world to find out which grain qualities were better. So this was a US congressional agency who had conducted this study and then published it. Canadian grain was always said to be the most consistent. It was the most consistent in terms of being what it said it was and the cleanest. So I think the grain quality aspects is where the Grain Commission has contributed to the international marketing of grain. Now a lot of other people have contributed by developing those varieties and growing the grain and getting it to market. So I'm just saying we're a stakeholder in that, but I think it was an important one. I think the relationship between the Wheat Board, especially who are the ones marketing high quality wheat, and our Grain Research Laboratory and our grain inspectors are extremely important. I think they way they worked as a team helped improve the marketing as well. So I think it's mainly on the marketing side.

[1:15:09]

NP: You mentioned earlier on about the changes in the industry and the tendency towards more of the competitive free market. Do you see a possibility that the Grain Commission would cease to exist? And if so, what impact over what time frame? How's that for a question? [Laughs]

DK: If you had asked me that question about 20 years over, now, I guess—because I've been retired for nine—I would have said, "No." The services were so appreciated and valued that I didn't think we'd have that problem. Plus, the grain business was soaring, and we were recovering revenues almost sufficient to cover our costs. Or the drain on the government's purse was pretty small. But then, as you said, the competitive aspects and this idea that people want to operate in an unfettered manner, and also the fact that there's a growing feeling like, "Why does the Canadian system have to be any different than the US system?" Whereas I said we identified that—or not we—but the US identified that Canada did have a quality advantage, and yet people were saying maybe it wasn't worth having that quality advantage. 'Why can't we do what they do? Ship them wheat and get it over with.' I've forgotten the thread. Go over your question again. I think I'm missing my--.

NP: No, you're answering the first part, which is do you ever see that happening.

DK: Oh, yes. Yes.

NP: And if it did, what consequences and over what time frame?

DK: When the Wheat Board started using private inspection services, it made me realize that the Grain Commission was more vulnerable than I had ever thought because I thought the pressure to use those would come from the Cargills and the other private companies and would mainly involve the inspecting of oilseeds or-- . But for the Wheat Board to decide to use private inspectors for wheat and durum—their highest quality products—made me realize we are vulnerable. And especially we'll be more vulnerable because the Wheat Board itself is vulnerable. So if the Wheat Board loses their single market desk, then I think, my own opinion, is that the premium for high-quality Canadian grain would be eroded over time because different exporters would start lowering the standard in order to get a sale. You'd start having more like a US system where you'd still be selling a good quality grain, but it wouldn't be quite what we have now. I think once you do that, then there will be an increasing argument that you don't need to have the rigorous inspection systems that are in place by the Grain Commission. And perhaps even arguments that you don't have to have the highly capable Grain Research Laboratory that we do. They might argue that, well, companies can do their own research.

So I would say the Grain Commission is, unfortunately, I think, more vulnerable now than it was 20 years ago. And I think that probably if the Wheat Board single desk monopoly is lost, I think that vulnerability would increase. So I think that if the Wheat Board stays as the single marketer, I think you might find a narrowing of the scope of the Grain Commission. It might resolve to just inspecting grain at export terminals and providing the standards for the grain but might not do any inward inspection of grain at terminals. It might not do some of the other things like licensing of elevators. I think the freer flow of the industry might end those programs as well. It's hard to say. Like some of them, I hope not.

[1:20:08]

Maybe it's because I'm an old-timer, but when I think of how when you went to Europe, and I sat in on a presentation by a US wheat millers' group from North Dakota, and they had their slides, and they had their samples showing what they had grown and how great their crop was. I was feeling a little vulnerable as a Canadian. I was thinking, "Boy, that sounds like it's just as good as our wheat." I was talking to a miller at the lunch period, and he said, "Oh, yeah. They grow it, but they can't sell it to us. They can't get it to us." And he says, "That's the difference. They grow the same kind of wheat as you do, but we never see it when we buy."

We can contract to buy exactly what they say they have, and it won't show up that way." So I think it was a real asset, and it would be a shame to lose it.

BC: Do you see—just listening to you talk about when the crack came—do you think it's really political will being played down through the system and eroding over the years?

DK: Not when I was still working because it was still a Liberal Government at that time. They seemed to have a lot of respect for the Grain Commission, just that they didn't want to raise fees, and they didn't want to give more money. [Laughs] So they wanted it to wait. "Just wait." I'm not betraying any confidences. I'm just saying that's their general attitude was, "Just wait. It'll all resolve but keep strong in the meantime." But now that there's a Conservative Government that feels so strongly about taking away the single desk from the Wheat Board, I wouldn't be surprised if they would have similar ideas about the Grain Commission too. Maybe not quite as dramatic because they probably would recognize the value of having the grain certified for export through a lot of buyers. So they might still want those services, but they might want to shrink them.

BC: I know that on my page here—but I don't seem to have it—there is a question focusing a bit on Thunder Bay, the role of Thunder Bay or the changes you've seen or whatever aspect-- To speak to Thunder Bay because the research is somewhat coming out there.

DK: I was always a head office person, so I didn't get directly involved as much with the ports, but Thunder Bay, when I started, was the grain port in Canada. The Seaway had been open for about eight years at that time and exports were good because I think it was China or Russia—I forget which one—was buying a lot of grain at that time. They were putting a lot of grain through that port. In fact, a lot of the small elevators that were up the river-- Kam River, is it?

BC: Mmhmm, yes.

DK: That they thought would close down as soon as the Seaway was open, they stayed in operation for ten or 15 years longer than they expected just because of the heavy volumes. So that was a thriving port. You went there and the grain was-- But over the years, I guess more customers wanted to get their grain through the West Coast, so the West Coast facilities developed, and more and more grain got drawn away from Thunder Bay. I don't even know how many elevators you've still got left that are operating.

NP: I'll take a second to calculate and get back to you on that. [Laughs]

DK: But it really was sad, really, to see that decline from being the big port in Canada to being quite struggling because when the sales were bad, then there would be a tendency for the shippers to want to pretty well close down Thunder Bay entirely and do everything through the West Coast. If the West Coast-- In other words, the West Coast became the port of choice, and if they could handle all the grain, then the shippers tried to put it through there. Not everybody, but a majority. So it really made it quite erratic for the people operating the elevators because they'd have years when there's hardly any volume, and then when grain volumes were good, they'd be back up to if not a boom year then at least a very good year. So there'd be quite a cycle in volumes, which must have been difficult to live with, to be almost booming one year and then the next year to be told you're going to close down for four or five months.

[1:25:36]

NP: And the Grain Commission staffing changed too as the--

DK: Oh, yes. Like we transferred a lot of people from Thunder Bay to the West Coast or to the Prairies because there was just not enough work for them anymore. They were highly qualified people, but there wasn't enough work for them. And some of them did move to where we needed other people, but a lot of them loved Thunder Bay so much that they didn't want to go no matter what. [Laughs] It must be a great place to live because there was a lot like that that they didn't want to leave.

NP: Not being a farm boy or even familiar with the ports, do you recall your first visit to a grain terminal?

DK: Yes. I was terrified because I went there, and they were going to take me up one of the manlifts. I took a look at that and said, "No." So then they had to wind around and find me some other stairs, and they got me up. Then you walk across these decks up there that are open middle. So you're walking on something quite solid, but it doesn't look like you're walking on something quite solid. So I guess my first memory of being in there is terror. [Laughing] I was in that Burrard Terminal that blew up about a week before it blew up. I've always been thankful that it wasn't the week that I was there that it blew up because I probably would have been too afraid to climb down. They had a little L-ladder that went from the top of the building to the bottom, and it was just like a ladder you'd have up against the side of your house, eh? And I thought, "I don't think I could have climbed down that no matter what."

NP: When was that and what happened?

DK: That was the Pioneer elevator that it blew down in-- I can't remember what year. That's the other thing. Dates escape you. But it would have been somewhere in the '70s, I think. It blew up and burnt, and then they tore it down and rebuilt a nice new elevator.

BC: And this was where? In--?

DK: It's in Vancouver. It was called Burrard Elevator, and now the new one is called Pioneer.

BC: Oh, someone talked about that, Mr. Dehod talked to me about that.

DK: Oh, yeah. He would because he was the manager then.

BC: Oh, right. That's why he talked about it. [Laughs] Yeah.

DK: Yeah, yeah. That was quite a thing.

BC: Awful.

DK: The location of that elevator, it was on the waterfront, and then there was a road, and then it was a residential area going up this hill. So I imagine those people were pretty scared by all that. I guess the other things about Thunder Bay and all terminals were when they adjusted to--. You know, the systems used to involve a lot of manpower. Somebody had to go out and collect samples as the grain was coming out of a railcar and then carry it back by bucket into the office. Then they got automatic sampling systems, and as those sampling systems got quick and accurate, they had stopped doing--. They used to do an inspection here in Winnipeg where people would climb up on railcars as they passed through Winnipeg and probe them and do an inspection and then that information would go down so they'd have an idea of what the grain quality was. And that was the inward inspection. Then when they got the sampling systems adequately developed, they cut out that horrible job of inspecting the railcars here in Winnipeg and did it right at the elevators in Thunder Bay, which was much more efficient.

[1:29:45]

The other thing was protein segregation, which I didn't get into, but that was a big thing for the terminals especially because wheat used to be sold as wheat, but customers wanted the different segregations of protein content for the top grades. So at first we didn't have any adequate way of doing that, so it was done by the country elevator manager mailing in a sample at the same time he shipped his railcar. It would come into Winnipeg, and they would have a chemical laboratory called the Kjeldahl laboratory. It would test these things 24 hours a day with this continuous process. The results would be transmitted to Thunder Bay and hopefully there when the car arrived at an elevator. But probably about 40 percent were missing. Then it was Dr. Williams of the Grain

Research Lab worked with testing companies, and they developed these protein testers that would work rapidly with near-infrared light on the sample, and so they were able to move the protein testing right into the elevators so that they'd take a quick sample at the beginning, test it for protein, and bin it. Because the sample was fairly early, it might not have been a perfect sample, but it was better than missing 25 to 40 percent of your railcars. So that was a big improvement in the handling of grain.

NP: Why were the tests missing? Or--.

DK: Well, because of the mail. The mail.

BC: Wouldn't get there.

DK: Primary elevator manager would mail it, or he'd forget to mail it, or it would sit in a post office somewhere for a week and come in late. If the railcars went quickly, maybe everything went well, and you'd still miss.

NP: Do we have the "What you're most proud of" question on there? We should. We don't?

BC: We do. I'm just trying to--.

NP: Ah, sorry.

BC: Loose ends here at the end here. Just because I'm recognizing that we've been talking for quite a while. [Laughs] This is kind of a combo question, one that Nancy's talking about. Looking over your career, what were you most proud of of the work that you did? And whether that ties into a sort of vivid memory or an achievement. Just that kind of reflective end-of-interview question.

DK: I think one of the things that I took a lot of satisfaction was—and that thing I mentioned at the last—was the protein segregation system because I had been at work from the beginning to the end on trying to develop it. I used to be involved in the management of the program. I was really very impressed that, first of all, we were able to do it at all and it was so effective because we--. I think over the years, we might have had one or two or three complaints that the vessels didn't meet the standards we had said. And when we reevaluated our data, we saw that they were right on the line, you know? The customer had probably been used to getting a bit better, but they probably met the guarantee, but they weren't as good as they usually got. So that was an exciting period because again, that was one where you worked with the terminal operators, with the inspectors, with the people in the Grain Research Laboratory, and very closely with the Wheat Board. Because the Wheat Board wanted not only these various protein bands, but they wanted them at certain times. So ordering it out of the country was another challenge, and I used to get involved

with that. That was really a very interesting and exciting period. As I got more into management later on, there were different kinds of challenges, but they all tended to be with people and training and staffing and that kind of thing, so they're not very unique. So I'll hang with my protein one. [Laughing]

BC: Just at the end they ask are you aware--. Do you have any pictures or memorabilia from your career that you think would be of value to the project? You know, hoping at some point to have a grain trade centre.

DK: You know, I did have a lot of books and things that I had accumulated while I worked there, especially in the statistics end. I gave most of them to the library at the Grain Commission when I left. Now that I've made two moves since then, I don't think that I've got any left. [Laughs] Have you talked to—I don't even know who the new librarian is—but Sean O'Hara used to be the librarian. If they preserved some of that stuff--. I'm a statistics man. We did some publications where we had taken a look over a 20-, 30-year period at the volume of grain exports, the various countries and things like that, and published those. If he has those, those are kind of interesting.

[1:35:49]

BC: Okay.

DK: We did it, first of all, when we went metric, and then we did a bushel one up to the metric and had a metric one beside it so that people could see the comparison. But then I think for the Commission's centennial about '87, was it, I think we did another one then. Some of those show how the industry developed quite well, and the ups and downs, and who the different customers were over the years, and that kind of thing.

BC: That would be nice.

DK: The other thing that's really—which I'm sure you've got—is the Commission's annual reports. In the last ten years, they've been like business reports, but in the early days, they were really quite entertaining. One of my first projects was to write a history of the Grain Commission, and I was using those, and I was going back to get the number of elevators every year and that kind of thing. But I was also reading, and they were talking about such-and-such a person had been missing. Such-and-such a person had been under investigation for defrauding farmers was missing, and the implication was either he ran away, or somebody ran him over. [Laughing] But there was a lot of discussion of various policy changes over the years, like, "Should this be allowed?" I'm trying to think of something specific. But at a time when there had been devastation of wheat crop on the Prairies because of rust, and there was a lot of discussion about, "Should this variety have been allowed?" That maybe doesn't sound interesting on the

surface, but when you saw all the implications to various people, the stakeholders, some of those old reports were really good if they've still got them in the library.

BC: Well, we can find out.

DK: If they give you a set--.

NP: Oh, they might have extras?

DK: Eh?

NP: They might have extras?

DK: We used to.

NP: Oh, okay.

BC: Well, that's a good thing.

DK: If they do, that would be a great thing to have in your exhibit. People can pull them out. One that wasn't successful, but you may have, is the attempt to do a bit of a history of Grain Commission, and they had some write ups on it, and they had pictures of people and that kind of thing.

NP: The book?

DK: Yeah.

NP: Yes.

DK: So you've got those?

NP: We have that book, if that's the one. I think it was for the 75th it might have been done because 2012 is going to be the 100th, I understand.

DK: See now, the write ups in there were quite good in terms of the history and everything. They had some problems with getting the right name attached to the right picture. But in terms of the history of the industry, I think they were quite good.

NP: Related to what Bea asked, she mentioned the sort of larger project that is on hold at this point to try to commemorate the grain industry through Thunder Bay and potentially salvage an elevator as a National Historic Site.

DK: Oh, yeah?

NP: Tiny little project, right?

DK: Mmhmm, right.

NP: If there were a section of that historic project—and there would be, if it happened—committed to the Canadian Grain Commission, could you think of three things that should be there that you think might tell the story? I mean, it's a big question, but I'll throw it out to You anyway.

DK: Three things only? Because I think some of the documentation of the value of the quality assurance system to the marketing of grain would be really important.

[1:40:15]

[Woman]: Hi, hi.

DK: Especially as it ties into how the grain inspection system is geared to meet the scientific standards that were developed. There's been quite a bit written on that in reports of the GRL and the Commission. Again, the librarian might be really helpful. If you can get one good one of those and put in in there, it would give people and overview. The other might just be the documentation, which again is there, of how the elevator system evolved. Or have you got that documented somewhere else? Because the Commission's reports, one of them was the number of licensed elevators every year. So when you look through that, you can see how it went from 4,000 shipping points down to 2,000 and now down to 3 or 400. The number of companies, how they changed over the years, and that kind of thing. But again, that probably would be more valuable to an analyst than to a general visitor.

BC: Well, I think it could be very interesting for the general visitor if a very good visual was--.

DK: A graph.

BC: Yes.

DK: I was going to say if somebody would take the trouble to put that information in graph form.

BC: That would be fascinating.

DK: So that information is available from the annual reports of the Commission or the annual reports of licensed elevators. Let's see. A third one? I'm going blank here. I think the ties to the marketing of the grain, and then the ties to the development of the system, I think, are the two key ones.

BC: I think that covers everything. We should just note that Nancy Perozzo is a co-questioner, if anyone is wondering what the other voice is. [Laughs] The only other question is can you think of anyone that we should talk to? This is how we get new people is people say, "Oh, you should really talk to so-and-so."

DK: A bit limited because I don't know who exactly you've talked to so far.

BC: Oh, just throw out any names, and Nancy will know.

DK: In terms of people in the Grain Commission, Rich Gosselin, have you got his name yet?

NP: We certainly haven't interviewed him. I might have his name on a bigger list. What was his part of the--?

DK: His background was maybe a bit too much like mine, so maybe I should give you a name of somebody in a different part of our operation. Did you talk to somebody like Len Segan or--?

NP: He's too young.

DK: He's too young? Okay. Angus McDonald, but he's way out in Vancouver.

NP: You know, his name came up because somebody unrelated curls with him out in Victoria. So he would be a good person.

DK: I think he would be.

NP: What was his first name?

BC: Angus.

DK: He was the chief grain inspector for a while. Another one would be Vern Duke here locally in Winnipeg.

BC: Yes, I interviewed him.

DK: You already did, eh?

BC: Yes.

DK: Okay. He might be like me with his memory failing.

BC: No, it was a great--.

DK: It was good?

BC: Oh, he had so many good--. He had photographs that he had taken all the time during his career, and we're scanning them. Fabulous.

DK: I thought he might be a good record because he is interested in that sort of thing. Jack Robertson at Thunder Bay, did you get him?

NP: I talked to him when we first started looking at the bigger project and tried to persuade him to be on the committee, but he was enjoying retirement a bit too much. But yes, he's on our list, and I will be sure we get in touch with him.

DK: Yeah. He knows the Thunder Bay Grain Commission aspects, I think, as well as anybody does.

NP: He was regional director, is that the official title or--?

DK: Yeah. And if you can't get him, Rick Bevilacqua.

NP: Yeah.

BC: He just retired, didn't he?

NP: He just retired, yeah. He's on our committee. So again, a youngster. [Laughing]

DK: And Tebenham, you're talking to him?

NP: Mmhmm.

DK: Yeah. He's a good one.

BC: I think I need to go to Victoria and do an interview.

NP: Yeah. For sure. Bea has a--.

DK: Need to what?

BC: I need to go to Victoria to do an interview.

DK: Oh, yeah.

NP: Bea has a piece of property out in Vicotria, so, yes. I'm so glad you mentioned that name because my friend did mention, "Oh, I know this guy. He used to work for the Grain Commission. Great guy." And at the time, I thought about it, but then it's gone from my mind,

[1:45:11]

DK: And Henry Fast.

NP: Oh, Henry Fast. That's a new name.

DK: And if you ever track down Angus, he would be able to tell you how get a hold of Henry Fast. Or Vern Duke could too.

NP: Yeah? He's somewhere outside of Winnipeg?

DK: Victoria.

NP: Oh, he's in Victoria too. You'll be busy! And what was his position?

DK: Again, he came up in the inspection side. I was trying to give you people that have more of an operational link than I did.

NP: Okay. Good.

DK: And you've got Dennis Wallace down, you said?

NP: Yeah.

BC: Good. Well, thank you for the interview. I learned a lot today.

DK: Well, it's probably very interesting.

BC: And that's the whole point of this is that through our interviewing that we ask questions so that when the archives are made that someone who doesn't know very much asks the questions. And we fit the bill perfectly. [Laughs]

NP: So can I take your photograph to go with your--? [Laughing]

DK: Sure!

NP: Look as if you've enjoyed our company. [Laughing] That's an excellent photograph!

BC: Oh, you did well.

NP: So you're either a good liar, or you had a good time.

DK: No, I found that very interesting.

End of interview