

Narrator: Ken Matchett (KM)

Company Affiliations: United Grain Growers (UGG), XCAN Grain, ICE Canada

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Summary: Former accountant for United Grain Growers and CEO for XCAN Grain Ken Matchett describes the changes in his career and changes in the grain industry as a whole. He discusses joining UGG in the financial department doing strategic planning and accounting during a time of country elevator reorganization and computerization. He details his move into the grain marketing department, dealing with marketing non-board grains to foreign markets, and the different divisions necessary to move grain smoothly through the system. Matchett then recounts his move to XCAN Grain as the CEO, and he describes the philosophical difference between UGG and the Prairie Pools, the history of XCAN's formation, the major grain markets XCAN dealt with at the time, and the importance of personal relationships in retaining customers. Matchett also details the major amalgamations of the Pools and UGG into Viterra, the demise of the Canadian Wheat Board, and the globalization of companies in Canada's grain trade. Other topics discussed include the shift in major markets from Europe to Asia, stories of travelling the world to meet with and establish new customers, working with ICE Canada in Winnipeg on their regulatory committees, the Canadian systems' ability to respond to global demands, the Canadian Grain Commission's contributions to Canada's reputation for quality, and research's role in improving Canadian crops.

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Time, Speaker, Narrative

NP: Nancy Perozzo on November 28th, 2014, and this interview is taking place at the Hotel Fort Garry. I'm going to ask our narrator for today to introduce himself and just give us a brief description—which we'll go into much more detail later—of your connection to the grain trade.

KM: Okay. I'm Ken Matchett. I entered into the grain trade in 1970 with United Grain Growers [UGG] as controller. I'm a chartered accountant by profession. I was asked to take on the grain marketing responsibility with United Grain Growers in 1981, which I did, and in 1985, I also took on the responsibility for the country operations aspect of United Grain Growers as well as the marketing. So that's, what, I guess 1981 I got more directly involved in grain marketing. In 1988, I was approached to become CEO of XCAN Grain, which was a subsidiary of Saskatchewan Wheat Pool, Alberta Wheat Pool, and Manitoba Pool Elevators at the time. XCAN Grain was the export marketing arm, the subsidiary of those three organizations. So I became CEO in 1988. And in 2001, as a result of the merger between Agricore at the time—which was the merger of Alberta Pool and Man Pool and United Grain Growers—I was retired. So I left the grain trade directly at that point in time. I've had some ongoing involvement with what used to be Winnipeg Commodities Exchange. It's now ICE Futures Canada. I still share a special regulatory committee of that organization. That's probably my history.

NP: A very nice synopsis. I'm going to have you hold the recorder because my voice usually carried very well.

KM: Okay.

NP: If I don't record myself, I'm okay. [Laughs] I'd rather record you. So did your family have grain industry heritage?

KM: Well, I guess my father grew up on a farm in western Manitoba, Treherne area, so there was a family farm there. Interestingly, one of my sons-in-law eventually bought the Matchett farm. Well, he knew it was the Matchett farm. He didn't know he was going to end up being connected with me. So my dad grew up on a large farm. He actually moved into the city, I guess, towards the end of the Dirty Thirties when things were tough, and my mother grew up on a farm in the Gladstone area. So we did have a bit of a rural background, albeit when I was a youngster, we would go out and visit grandparents and uncles and aunts on the farm, but I never lived on a farm.

NP: Were they early settlers? Did you know when they moved to the west?

KM: I think my grandfather and his brothers moved into that Treherne area probably back in the early 1900s or maybe late 1800s. So I think to some extent they were homesteaders, but what that exact definition is, I don't know if they qualified. I believe they

had come from Ontario. So they were first generation people from Europe, but I believe there was the four brothers that moved in together.

NP: And what was your mom's maiden name?

KM: Clayton.

NP: Clayton. Okay. Did you pay any attention to the grain industry before you started with UGG?

KM: Well, when I was at Price Waterhouse as a chartered accountant, I was the auditor of United Grain Growers, so I paid attention in a financial aspect of things. Didn't really monitor too much the goings on of the trade, and as a youngster, it was more of a casual interest than a formal interest.

NP: So starting at UGG, then, would have been an eye opener and a steep learning curve in 1970. What were your major learnings, if I can put it that way? What strikes you as--?

[0:05:03]

KM: Well, I've always had quite an interest in the operations side of the business rather than just the numbers, so I got quite involved. We actually introduced some strategic planning back in those days, which I don't think it was particularly groundbreaking from a strategic planning idea point of view, but I think it was fairly early as far as the grain trade was concerned. So we got more involved in looking ahead and, "Where are we going? Why are we doing this?" All this sort of thing. We got involved in an awful lot of introduction of new technology, computerization, which was big in those days. Inflation was rampant in the '70s, so there was a fair bit of reorganizing done within United Grain Growers.

NP: In what sense?

KM: Well, when I first went there, there was two big regional offices: One in Winnipeg, which was really Manitoba-Saskatchewan territory, and one in Alberta in Calgary, which was all of Alberta. They almost ran as two different companies, and so there was a reorganization done which basically turned the two divisions into six areas—two in Saskatchewan, one in Manitoba, two in Alberta, and one in northern Alberta, Grand Prairie. So this was the country end of things. So there was quite a bit of reorganizing done. Of course, United Grain Growers was a co-op, probably the first grain co-op in western Canada, so the grassroots and the farmer directors were all actively involved in this sort of thing.

In those days, when you talk about Thunder Bay and that sort of thing, probably two thirds of Canada's grain exports went out through Thunder Bay and a third out of the West Coast. Of course, during my career, that changed considerably. But in those days, it was particularly in my end of things and the financial end of things and systems and that, there was an awful lot of computerization that was done to the point that as time went on, much larger volumes were handled, whether it was farm supply sales or whether it was grain handling at a much lower cost because of the efficiencies offered by the computerization.

NP: And there would have been a corresponding reduction in staff.

KM: In the offices, for sure. Yeah. The two main divisional offices, considerable reductions.

NP: Having two offices at the time you first started before the reorganization, did that present challenges?

KM: I think it did more probably from the management's end of things. Again, I was on the finance side, so I was sort of the scorecard keeper rather than deciding who was going to do what and where. But I don't doubt for a minute that it presented managerial challenges because you had two strong divisions, and to some--. Not necessarily competing with each other, but in terms of keeping them on the same path and even in the same direction, the right direction, I think it presents challenges.

NP: And maybe because this was so early in your career and because you were sort of out of the grain side of it and in the financial side of it, could you define what the differences in direction might be between Manitoba versus Alberta?

KM: Not particularly. I think it was just human nature. You had different people operating similar sized businesses, and different people will do different things and take different approaches.

NP: And the natural competition for resources that comes out of that.

KM: Exactly. Especially on the capital side. And availability of capital for building or for renovating country elevators and that sort of thing has always been there--has always been there in the country. That led, I'm sure, to a lot of the changes that ultimately took place.

NP: Now, would it have been at that time too when they started to eliminate country elevators?

KM: Yes. It was always a challenge and because of the nature of the background, the history, they were all co-ops. So of course, the way the system—you've heard this 100 times I'm sure—the system was built in the horse and buggy days, so you had elevators 10 miles apart. Well, even in the '70s there were trucks, so you didn't need 10-mile-apart. So there was a lot of duplication of service and high costs that went with it. The challenge--. There was two challenges. One for the management to cull out some of the less efficient in its process. There's no way you could eliminate three quarters of the elevators, so you had to do it one at a time. So the process at United Grain Growers was to gain board approval to make these changes, and of course, every director is representing his geographic area, and to have one of the elevators in his area presented a political problem because he gets elected.

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But over time, the directors were able to take a very objective approach to it, and they all went through the tough time of having to close elevators. There would be sort of a joint presentation between management and local board members to the local communities as to, "Your elevator is being shut down on such-and-such a date." So that was never a popular move because, again, the farmers in the area now had to go further. [Laughs] Even if it was only 10 miles, it was the principle as much as anything. But over time, I mean, this process, I guess, had to accelerate. I mentioned inflation earlier, but the cost of either building a new elevator or building efficiencies into the system went up, up, up, and so you had to get pretty judicial as to where your priorities were, where you were going to allocate it. So there had to be a lot of analysis done as to where you thought you would get your best bang for your buck. With limited resources, it was always a challenge, not only for management, but for the boards of directors as well, especially in a cooperative.

NP: When you were doing that--. And I can see implications such as what was the competition in that community if you closed down, what does that do to any deliveries and so on. Did UGG ever commission an external report on closures? Or was it very much an internal working it out?

KM: To my recollection, it was all internal.

NP: Who was the head guy at that time? Was Runciman still there?

KM: Mr. Mc Runciman was the president. I think Bill Winslow might have been the general manager. They didn't call them CEOs at the time. They were general managers. I think John Wachel eventually became the general manager. He was the treasurer when I went there, and then Gordon Moss became the general manager. Gerry Moore had been the GM for a year or two before I left. So that was--. I think Bill Winslow might have been the first one in, and Bill had come from the western regional office in Calgary, so I'm not too sure who it would have been before him.

NP: Did you know Mr. Runciman? Did you get to know him at all?

KM: Oh, yes.

NP: I ask because he's quite a legend. What are your remembrances of him?

KM: Mmhmm. Well, it was a pleasure to work with him. He was very solid. Obviously, he was very highly regarded throughout the industry, and I think for good reason. But he was very solid. Having said that, he was definitely the chairman of the board. He was president and chairman of the board, and as such made a point of staying out of the day-to-day management of the company. So there was a pretty good delineation between the role of him as a director and the role of the management team.

NP: Which isn't always the case.

KM: Well, it doesn't--. And even today you find problems, but I think most well-run companies know the difference. But he was very good. And I don't recall exactly when Lorne Hehn then succeeded him because Mr. Runciman retired and then Lorne Hehn succeeded him as the president when I was there. He was still president when I left. Subsequent to that, I think he went to the Wheat Board.

NP: Is Mr. Hehn still alive?

KM: You know, I'm not sure, but I think he passed away.

NP: Okay.

KM: He was from, I think, Markinch, Saskatchewan, and I think when he eventually retired from the Wheat Board as chief commissioner—they did the change in structure there—I believe he retired back out to Saskatchewan, and if I'm not mistaken, he has passed away. I knew he had gone into some poor health, but I don't know my dates.

NP: So nine years later—no, 11 years later—you moved into grain marketing.

KM: Mmhmm.

NP: And what do you think led to you moving from a sort of financial position into quite a different area?

[0:15:01]

KM: Well, I was controller—which is an officer of the company—and I was fairly involved in discussions on a lot of things. The then general manager of the day, Gordon Moss, approached me if I would get involved in grain marketing, take on that responsibility, and I said I would. So things changed.

NP: Did you replace somebody, or was this a new position?

KM: There was, I think, Eric Titheridge ran the terminal and grain marketing operation, and he retired. I took on marketing, and I believe it might have been then that Murdoch Mackay took on the terminals, but I'm not too sure. My memory isn't that good. But he approached me to take on the grain marketing, and I had been doing a fair bit of work in that area with regard to financial controls and position limits and things like that. So I had been engaged in a lot of discussions with him. So I was quite surprised when he asked me, but why not?

NP: And what interested you?

KM: Well, just the idea of being more involved in the day-to-day business rather than keeping the score. A bit different.

NP: What were the major goals of the marketing group at that time?

KM: Well, and I don't think it's probably the same for all the grain companies, primarily to drive the movement through the grain system. I mean, it's one thing for farmers to want to deliver their grain to the country elevator, but it's got to go somewhere. If it hasn't been sold, it's not likely even going to come into the system, or it will certainly jam up the system with unsold product. And keeping in mind that in those days, the majority of the volume of grain flushing its way through the country and through the terminal elevators was so-called board grains. In those days it was wheat, oats, and barley. So things like--. And that was, again, I guess the grain marketing got involved in selling some of the board grains. There was a process to go through. You had to literally buy it from the Wheat Board and resell it to your customer.

But it was pretty common in those days for companies to be very actively involved in marketing their own malting barley because it was seen as farmers got a premium if their barley was selected for malt. And so, the more you could do your selections through your elevator for your sales, the better your relationship. You were seen by the farmer that he was getting a premium, and so

presumably he'd bring other business with it, some of the other so-called generic stuff—milling wheats. Whether a farmer delivered it to UGG or Saskatchewan Wheat Pool or somebody else, he was getting the same price, and it didn't matter that much, but something like malting barley was considered a premium.

But then the grain marketing group, say, of United Grain Growers was involved in selling the non-board grains, and canola became the big one. There was flax, rye, and some of the specialty crops, you know, mustard, and all this sort of stuff. Although, in the United Grain Growers they had a seed division, which primarily looked after the specialty crops, the smaller crops. So canola was the big one and malting barley. So you had to work with the Wheat Board to accommodate whether it was customers in the United States or China or wherever else. And canola, the big market of the day was Japan.

NP: So who were the major companies or customers that UGG serviced when you first moved into the position?

KM: Well, in the malting barley, we had customers in South America who we dealt directly with in those days and the United States. The US was a big market for malting barley. The Anheuser-Buschs and that sort of thing. So we worked closely with them and anybody else who put their hand up. We did have a good face in South America. With canola, again, the big market at that time was Japan, so we had an agent in Japan, and we spent a lot of time cultivating relationships with Japanese buyers. In Europe, there was some movement in those days. It was before the genetically modified canolas were introduced, so Canadian rapeseed occasionally went into Europe, even though they produced a lot themselves, but there was depending on situations or the time of year or whether there was shortages and all that sort of stuff. But a fair bit of flax went into Europe. We had an agency in London, which looked after Europe for us, and we had an agent in Tokyo. And in other markets we would have representative agents too, but these were the main ones as far as volumes went.

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NP: So take me through a planning meeting that would occur in the marketing division. So let's say an annual "Where are we? Where do we want to go? And how do we get there?"

KM: Well, things changed a lot from United Grain Grower days to XCAN days.

NP: Let's stick with UGG, and we'll move onto--.

KM: UGG didn't really have a planning session for marketing. It was a corporate planning session of which I was involved with. So to the extent that everybody is trying to increase their business volumes and this sort of thing because the grain business of the

day was volume driven. So you try to identify areas that you could incrementally increase the volume and retain the benefit of it. I mentioned malting barley. If you could sell malting barley directly, the system allowed you to pull that malting barley through your own country elevators. If it was going offshore, you'd put it through your own terminal elevators, whether it's Thunder Bay or Vancouver. So there was a real economic benefit from this incremental business, and if you could grow your canola business, well, that's fine too.

But there wasn't much we could do about the Wheat Board's volumes because they were responsible and controlled all the exports of the majority, the big volumes of wheat. And frankly, whether they sold or not, the way the system of the day was, you were going to get your share of it. So yes, you'd like to see a big crop grown on western Canada, you'd like to see the Wheat Board sell it all, and you'd get your share of it. So a lot depended on whether, just like a farmer in his own local situation, but really a lot depended on what the Wheat Board was doing and, indeed, how the railways performed and all this sort of stuff. You didn't have—as a company—you didn't have much influence over that. So it was the little pieces that you were trying to focus in on, and to that extent, we tried to work harder to increase our business on the non-board grains—canola, malting barley.

NP: So how would you actually go about courting a new customer?

KM: Well, we met—with the support of our agents—we met our customers directly, end-use customers, whether they were in Asia or whether they were in Europe or South America or Mexico or the US. We had marketing staff, traders, and they would be in daily contact with people that they're doing business with, but part of their assigned responsibility was to expand their customer base. So they would put together plans to go out and call on various people. We'd analyze the market and target different companies to go call on. You know, you take your package of goods and try and sell yourself as a potential supplier.

NP: So within the marketing department there was a market analyst position?

KM: Yeah, yeah. Mmhmm.

NP: What other positions were in that--?

KM: Mainly traders and what we would call logistics people. So once a sale is made, there are people with responsibility to coordinate that effort through the country elevator handling system, where the canola would be coming in, working with railroads to get cars allocated to move the grain to wherever the end market routing would be—Vancouver, Thunder Bay, or into the US directly. And there would be accounting admin functions in terms of invoicing. We had traders to work with the Commodity Exchange because the Commodity Exchange futures markets were used as hedging vehicles. And the marketing department was

actively represented in the grain trade per se, like involved with the Commodity Exchange. We'd have people on the board get elected to the board of governors, various committees of the industry because there's quite a structure in place to make sure that everything is working properly. Everyone was quite active in the trade.

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NP: Did you do a lot of travel in this position?

KM: Again, back in the UGG days, a fair bit. I would go to Asia at least once a year, and I would go to Europe once a year meeting with end-use customers. Occasionally into the US as well.

NP: What was dealing with those foreign customers like? Did they have personalities as nations?

KM: They were all quite different. Again, in my early days, the Soviet Union was still alive and well, pre-'89. So when you were going into places that you were dealing with, say, a state buying agency, especially in the communist countries. So it was different. You were dealing with governments. As time changed--. Well, in Japan from the other side of it is you're dealing with private companies in Japan, and so quite different.

NP: Did you have a preference for one over the other?

KM: Well, I would prefer to deal with a private company, but you have to deal with what you have to deal with. What you had to know was how they're coming at this thing, and their rules in life were quite different. I mean, one's feeding a particular company. The state buying agency is probably more interested in feeding their people rather than they are a particular company or profitability and that sort of thing. So it was quite different.

NP: Did you have to go into that cold, or were there some people that you could rely on to do a briefing for you so that you--?

KM: Well, the company had been involved in this business over the years and with agents that had been in place. Our representative agent in London had been with the company for quite a while, so they were able to brief me on how things were done and how they're not done. The same thing with Japan. Again, private companies, but we had an agent in Tokyo that had been with us for a long time, and the people within our organization that had been involved with the trade for a number of years too. So I mean, I was brought up to speed fairly well, fairly quickly, but I was always learning something different.

NP: When you look back at that time—again, we’re dealing now with UGG, and we’ll move on shortly to XCAN—would there be things that you would consider successes and those that you wished had gone better?

KM: I think when you look back, especially after more and more years and in terms of what XCAN was doing relative to what UGG was doing, you say, “Okay, well, if I had known that back then, we would have done things differently.” United Grain Growers wasn’t particularly active in the freight side of international trade, whereas XCAN was deeply involved in the freight side.

NP: You’re talking ships?

KM: Chartering vessels, ships, and that. And that was to XCAN’s advantage. Now, UGG’s volumes were quite a bit smaller than XCAN’s, but nevertheless, I think they would have benefitted from that. I mean, it’s like--.

NP: What would improve attention or understanding of the freight situation? What kinds of problems would that prevent?

KM: Well, if you charter--. They were FOB sellers. United Grain Growers were FOB sellers, so the buyers would arrange the freight, and so you basically were a little more vulnerable to when he put the vessel into Vancouver or Thunder Bay. You have to have your product there ready for that. There’s not a lot of advantage of having it there too far ahead, but there’s certainly penalties if you’re late and that sort of thing. But if you’re a CIF seller, you’re arranging the freights.

NP: CIF?

KM: Costs Including Freight. So now you’re selling it delivered to Tokyo, for instance. Now you’ve got not only responsibility but some control over when the freight is arriving at your berth. You still need your product in place to get it loaded, but it gave you more flexibility, and there’s profitability to be had from efficiency gains at loading for your account as opposed to the buyer’s account, that sort of thing. So it presented more earning potential, a little more risk, but also you were able to control your own business a little more but just a little further down the chain. So that was probably one thing in particular.

[0:30:12]

NP: And in that position with UGG, what, if any, would have been your connection with the grain handling facilities either on the West Coast or in Thunder Bay?

KM: Mmhmm. Sorry, in terms--?

NP: What would it have been?

KM: Well, those relationships were very similar between UGG and in XCAN. Structurally, in each of those organizations, well, the terminals operated as a separate division, and they had their own business to manage and efficiencies to be achieved. But you have to work very closely with them from a grain marketing perspective. You have to work very closely with the country elevator system, to the transportation division—I guess they all call them a little differently—but basically involved in coordinating rail movement, the terminals. Everything has to be coordinated. Ultimately, as an exporter, your primary goal is to have the product in place when the ship is there, when the ship arrives. So it just takes a lot of talking as far as people in the organization so that there's no surprises. There's always challenges—the trains didn't show up or this happened or there was a landslide in the mountains, all this sort of thing—but it's just day-to-day communication because it's a dynamic situation. It's moving all the time, and it's potentially changing all the time.

NP: If you could have ruled the world at that time, would there have been any improvements that you might have made?

KM: Well. [Laughs] You didn't rule the world, and I don't think anybody ever will. There's different pieces to the puzzle, and when they come together, it works very well, and when they don't come together, there's problems. Even, what, a year or two ago we had a huge record crop in western Canada. There was ugly winter weather, and so there was a lot of vessels waiting for grain. The railways were criticized. They're always criticized, always have been criticized. But there are anomalies in the system, which don't lend itself to efficiencies, and they're still there. There's still an issue with the railways getting a prescribed rate instead of freight rates being reflective of the marketplace. Unrestricted the market would tend to respond and react to where the needs are, and it just isn't there. It hasn't been there for a long time. Some changes were made in the old Crows Nest freight rate thing, but that was done so that the farmers wouldn't be gouged for moving their grain to port. But at the end of the day, they ended up with lousy service, so it still wasn't moving to port. So where's the chicken and where's the egg, right? So there have been some changes made, but in my opinion, there's still some deficiencies. But I don't worry about that anymore. [Laughing]

NP: It's nice to look at from the outside, isn't it?

KM: Oh, sure. Yeah.

NP: Yeah. Now, was the actual terminal operations—from a marketing perspective—were they ever the problem child?

KM: Not particularly in my recollection. There was a good understanding. It's interesting. United Grain Growers, in my day, there was John Owen ran the West Coast terminals, and he also had some marketing responsibilities and the background. So he understood very well from a marketing perspective the needs for certain things to get done. That was with the terminal that had fairly small storage capacity, so you couldn't afford to fill up with things that weren't going to move or block space for product that you needed to move. So we had, I think, a great relationship, and we were fortunate to have him there with that understanding.

At Thunder Bay, it was quite different. There wasn't so much the marketing knowledge in the management structure at Thunder Bay, and yet we had two huge terminals there, and so it wasn't really a problem. [Laughs] So it was a little fortuitous in that sense. Whether it still is the case today, I don't know, because there's been closures and things like that. So we really didn't have a problem in terms of misunderstandings or strained relationships et cetera, et cetera.

[0:35:08]

NP: Yes. Over capacity would have been more of an issue in Thunder Bay.

KM: Well, eventually--. Like I said, in the old days most of the grain volumes moved through Thunder Bay, which led to the capacity that they had there and on the St. Lawrence River and all these other terminals. But as that evolved, as most of the movement started going off the west coast, and you had all this surplus capacity, it was more the challenges of shutting down some of the capacity.

NP: In your view because the major changes that occurred in Thunder Bay—as it seems to me having talked to people—was essentially that shift in markets--.

KM: Right.

NP: Why was it so difficult to sustain or build markets that would require shipping out of Thunder Bay? What factors--.

KM: Oh, to build--? Well, it was basically where the markets evolved, which was in Asia, and in China in particular. I forget when the big opening of the Chinese market occurred. There was a Canadian minister went over, and somebody else will have all those names for you--. But I mean, here we've got a, even in those days, a population of 1 billion people. China produces an awful lot of grain themselves, but--.

NP: And the difficulty of sustaining previous markets? So what happened to Russia? What happened to the United Kingdom?

KM: Well, I guess the sheer size as far as the UK goes. They're still a large market for premium quality wheat, et cetera. Russia, with the--. I'm not sure I really have an answer for you on Russia with the fall of the wall. Certainly, the Wheat Board sold a lot of grain to the Russians. At a point in time, you know, they do have a great grain production capacity there in the Ukraine and this area. Now, was it constrained? I'm not too sure. But certainly, they're producing an awful lot of wheat as we sit here. [Laughs] So, were there constraints that restricted that? Certainly, other producing areas—South America and the US and this sort of thing—they all dealt with the Russians as well, so I'm not sure that things have changed a heck of a lot, except we are seeing or saw, certainly in my early days at XCAN, the Ukraine exporting, and, you could say, disrupting the market somewhat at low prices, but they did what they did. It was an open market at that point in time. I'm not too sure whether the eating habits--. I think the fall of the Soviet Union was an economic one as much as anything, and whether they simply could afford to buy the wheat anymore for periods of time may very well have been a factor because I don't think they could afford to do a lot of things. But they certainly were big customers of Canadian wheat for a long time.

NP: And there was also government support, nationally, for such things as loans to foreign buyers.

KM: Sure, sure. Maybe they defaulted one or two many times. [Laughs] I'm not--. It's a little fuzzy in my recollection, and I wasn't directly involved. But I'm sure that was all part of this whole collapse.

NP: Anything else you'd like to say about your time at UGG prior to us talking about how XCAN came about and your work there?

KM: Well, I don't know, not really. It was a cooperative. It was formed over 100 years ago. It was still a cooperative when I left, and it wasn't until after I left that they took the strategy of issuing shares in the public market and this sort of thing. So that happened after I left.

[0:40:00]

NP: In talking with various people—numerous people—about UGG as a cooperative and the other cooperatives, the ones named after the provinces, there's oftentimes the comment that UGG was always a little different. Would you agree with that?

KM: They were. They were different, I think, in a number of ways. They redeemed their patronage dividends. They didn't pay out all their earnings in patronage dividends. They tried to retain some capital for expansion and growth needs. But nevertheless, they were still somewhat restricted in the sense of the co-op idea and repaying profits back to growers. There was a difference between them and the Pools. The Pools didn't redeem--. They would allocate their earnings to you as a member, but you never got any cash

out of it. So you got a certificate saying you've got so many shares and that. Well, I think there was a plan in those days when you retired from farming, you could get some payment out of it, but as a co-op, you had to have the ability of raising capital to build elevators, modernize, and this sort of thing. So that was always a challenge for them. But even philosophically or politically—I'm sure others will say the same thing—the Pools were more left, certainly left of centre, and UGG was more right of centre in terms of their approach.

NP: And how would that--. Can you give me an example of how that would play out in an issue?

KM: If there were--. Well, that's a good question. I don't--. I might think of something later. Right now, I can't think of a particular issue of the day. I'm sure there were lots of them, but the Pools and UGG were often on the other end of the pole when it came to an opinion on an issue, whatever they were. I can't give you an example.

NP: Let's say the Crow Rate. Was that happening during the time you were there? Maybe just, eh?

KM: It probably did happen back in around there. I'm pretty sure the Pools would have been, "Keep the Crow Rate," and I'm pretty sure that UGG was on the side that's, "Time for a change." That would be probably a good example, but that's the sort of thing where they would have gone 180 degrees apart on. Not that one's right or one's wrong, but that's an issue. That sort of thing.

NP: Support for the Wheat Board pretty strong?

KM: At United Grain Growers, it was pretty strong. There was also a recognition--. But there was at XCAN too—or sorry, at the Pools too, which is why they formed XCAN. They were strong supporters of the Wheat Board because of what they do and all this sort of thing, but there's a gap here, and there is a role to play ourselves to make sure that we're doing things for the best of our members. But no, there was support for the Wheat Board in United Grain Growers. No question.

NP: So if we're talking about the formation of XCAN then, were you part of the planning group that brought it into being?

KM: No. In fact, XCAN--.

NP: So who did the planning? Or how did it come about?

KM: XCAN, I'm not exactly sure when they were put together, but they were certainly--. No. I think it was probably early '70s when XCAN was put together. The Pools put them together. The Pools, as I found out—and I got more into it as I got to XCAN

than I did when I was at UGG—but the Pools worked together on a lot of things, and they had an office in Ottawa that they shared to deal in staying in touch with the government. They were very effective at call it lobbying, if you like, not only within their own province but federally as well. They had joint ventures, partnerships, et cetera, on a number of things. Then they formed XCAN. I couldn't tell you whose bright idea that was at the time, but I think it goes back probably around 1970-ish. But the same thing, I wasn't there.

NP: Because from an outsider, me, looking at it when you're talking about approaching new buyers, you would actually be in competition with the other Pools.

[0:45:01]

KM: That's right. That's right.

NP: Which you're--.

KM: But you see, again, they saw the advantage of working together. You see, the big thing with them is they weren't competing with each other in the country. They each had their own territory—Alberta, Saskatchewan, Manitoba—so that worked to their advantage in terms of, “Well, we're not really competing with each other for originating grain.” And in the minds of the companies and even the directors, their customers were the farmers. Their customers were in Japan or Mexico or China. And so, where that change went on, it was over time, but nevertheless, they did form XCAN. XCAN basically was a big marketing department compared to what I was running in UGG, much larger volumes. I mean, each Pool in those days, their provincial market share of grain handlings was over 50 percent. In fact, I think in Saskatchewan it was like 60 percent, and Alberta might have been similar. So it was huge volumes. That was their strength: origination.

So with those volumes behind them, then it was an easier sell to talk to a large consumer in Japan and say, “We've got this system behind us. We want to supply you, you, you, and you,” sort of thing. As a consumer of canola or whatever it is, manufacturing salad dressings or whatever, you want assured supply, regular supply, all of this sort of stuff. You want competitive prices, of course, but you're, really, you're running a food processing business. You're more interested in not so much the price, frankly, but that you're going to have a regular, steady supply of quality. “I know what I'm getting and when I'm getting it,” and all this sort of stuff. Because your business is selling salad dressings and this sort of thing, vegetable oils, so.

Once they got their mind around forming their own export company, XCAN turned around. They set up an office in Japan. They opened their own office in Japan. They ended up setting up an office in London, again, to service the European markets. So it was very similar, but on a bigger scale, to what United Grain Growers was doing.

NP: So was UGG part of XCAN, or was it just the other Pools?

KM: No. Well, interestingly enough--. So, okay. It was about 1970-71 when XCAN was formed. United Grain Growers was a partner in XCAN. I forgot about that until you just mentioned it. That only lasted about a year or two because of the competitive problems in the country. So whereas Alberta, Sask, and Man Pools weren't really competitors, UGG was competing with them all. And so, if you're partnering together on the export side, and, you know, here we sold 1,000 tonnes of canola at this price, and you reflect that back into the country, now I'm competing with you to try and originate that from Farmer Brown. Well, that didn't last very long. In that little partnership, these differences emerged in the boardroom in terms of their outlook on things. So it didn't last very long. They had their suspicions of each other because they were competitors, but they also had this intangible political difference. So how they even got in the door in the first place to try it, but it didn't last very long.

NP: That thought came to my mind when you were saying, okay, you were in marketing with UGG when XCAN started in the early '70s. So, "Hm, how was their arrangement here?" So did the other Pools, the Prairie Pools, did they not have marketing departments, and they just--?

KM: They did locally. They did locally, and they would have had, to be honest with you--.

NP: Marketing to the farmers as opposed to marketing to the end customers?

KM: Yes, yes. And I think their terminals looked after who they were dealing with. For instance, let's say a Cargill in those days—which really didn't have a direct presence in the country until they bought National Grain I thought it was. So they would have contacted Saskatchewan Wheat Pool. "I'd like to buy some canola or rapeseed off you in Vancouver," and they would have done a deal there. They weren't very active offshore. The XCAN idea was to get more directly involved with the end use customer. So the light went on that, "We've got to start dealing with end use customers and not be vulnerable to other grain companies as to getting trading off us against another Canadian company." So they got more assertive in forming their own business.

[0:50:37]

Yet, when United Grain Growers backed out of this, and it was the early '70s—I was controller at the time—United Grain Growers took on--. It might even have been late '70s.--But they took on some trader from, I guess, it was from National Grain, actually, when Cargill bought National Grain. It's all coming back to you. So that's how they kind of fleshed out their marketing department with some experienced traders. Prior to that, it was again done through their terminal divisions as well. It was much less active as a result of the system pushing grain at them rather than trying to be taking it right to the end user. So things changed back in the '70s. XCAN was doing pretty well, and then they ran into--. They brought in experienced traders to get themselves established. John Haswell was, I think, the first CEO of XCAN. They had their own--. Operated a separate company, was a subsidiary of the three Pools, but then they ran into some problems. There was some fraudulent activity that went on at XCAN. What was the timing of this now? It would have been back in the '80s, I guess.

NP: What kinds of fraudulent things can happen?

KM: Well, they were--. Improper trading going on. At the end, the CEO went to jail.

NP: That's pretty major.

KM: The director of marketing went to jail. I think the CEO got a year. The director of marketing got three years. And it was when that happened that they terminated them, of course. Ken Sarsons, who had been the head of a Saskatchewan Wheat Pool business—I think it was an oilseed processing business in Saskatchewan—he had retired. He was asked to come back and head up XCAN on an interim basis to settle things down, and it was probably within a year that they asked me to get involved.

NP: So what kind of shenanigans can somebody get up to? Because that's pretty serious stuff. You don't hear much of that happening very often.

KM: There's improper trading, buying and selling, having profits flow off to a personal account, things like this. These people were charged. There was Crown prosecutors involved. There's court cases involved, and the end result was people went off to jail.

NP: Who found them out? Or how were they found out?

KM: You know, I wasn't there when they--.

NP: Lucky for you! [Laughs]

KM: I'm not sure what tipped them off. I'm not sure what tipped them off. But historically, you have to have controls, checks and balances in place, to monitor things. I know other companies—Cargill in Winnipeg here—encountered a similar sort of problem where the president of the day drives into the parking lot, and one of his employees is driving a much bigger and newer and flashier car than him, which just starts some investigating going on. Next thing you know, there's problems. [Laughs] Or a problem has been identified. But it's--.

NP: Not everyone is honest.

KM: No, exactly. Exactly. The grain trade wasn't a particular home of criminals, but the nature of some of the trade where a lot of things are done verbally for large sums, large quantities, large amounts of money involved, and the paperwork that goes with it all requires close scrutiny and controls. If they're lacking in any way, shape, or form, then problems can happen. And they did.

[0:55:10]

NP: Were you aware of the changes that were brought in in order to prevent that from happening again?

KM: Oh, yeah. Yeah.

NP: So what--?

KM: Well, probably the easiest solution is to have honest people. [Laughing] But that's fundamental. People have to have the authority if they see something odd to stand up and say something to somebody about it. The problem in retrospect was not only was a person who could influence—like a director of trading—involved, but his boss was involved. So the key to a lot of internal controls is having two people required to approve various things, whether it's signing cheques or whatever. But if you've got the two top people in the organization involved, well, then now it's a problem. So you're back to being somewhat fortunate to identify if something's gone off the rails. I remember seeing some of the documentation after the fact because the company was involved in working with the prosecutors and building their case and digging up records and all this sort of stuff. Some of the things, you'd say, "Well, that sends an alarm off, some of these activities." But if nobody's looking at them, well, nobody notices that the alarm's on. Maybe that's one of the reasons they hired me as a CEO with a financial background, with a background about internal controls and checks and balances and all this sort of stuff.

NP: And to be able to see fairly rapidly some fishy--.

KM: Yeah. Well, you have to recognize things when you do see them, so. Sometimes people don't. [Laughs] Yeah.

NP: No, and I'm sure because it's a pretty specialized area.

KM: Yeah.

NP: With not a whole lot of people with the knowledge of how things work.

KM: But at XCAN, see, then we had to--. Because then I arrived as the new guy going forward, and Ken Sarsons had been more or less interim. Not that I was particularly expert in grain trading after only a few years at UGG in that role, but I think the staff had to have the confidence that actually XCAN was going to carry on because all hell was breaking loose at the time. But then to--. "Okay, well, here's a guy coming on board, and he's young enough that he's not here to do it as retirement." So I was selling the go-forward mission. "There's opportunities out there to grow our business and all this, and let's get out there and do it." That seemed to settle things down.

NP: So describe XCAN at the time you came in. What departments were there? Where were you?

KM: Winnipeg. Winnipeg was head office for XCAN. We had an office in Tokyo. We had an office in London. We had a small staff in London. We had fairly small staff in Tokyo as well. I guess we did have one or two reps in Vancouver, primarily to deal face to face with terminal people and the freight side of things. But they were much more involved in freight than United Grain Growers was, which was a surprise to me as an outsider, and they were much more involved in some of the specialty crops. Whereas at UGG, they had a little separate division for mustards and fescues and lentils and that sort of thing, whereas there was a small department of that in XCAN. But we had the benefit of the Pools' volumes. I mean, XCAN was much bigger volume wise. Over time, China was kind of coming out of its shell, and of course, the Wheat Board was jealously guarding the Chinese market for just about anything because primarily they were a wheat buyer and some barley at that point in time. But what was happening in China were things were changing.

[0:59:47]

I'll give you an example. Shortly after I joined XCAN, China established a special economic zone in Guangzhou, which was formally Canton, the old Canton there—so Guangzhou, not far from Hong Kong. And what they were doing internally, this special economics zone, outside investors go build something—and in this case, a malting plant—and they could originate their own raw materials. Now, that created problems within China because the state buying agency, Ceroil, didn't want anybody else importing

into China, and yet the government was saying, “We’re going to make some changes here.” Because they were moving towards freeing up the tight communist control of everything. And so, through a contact we had in Hong Kong, we became aware of this, so we went into-- I personally was in Guangzhou. We met with people involved with-- They were going to start this business, and when I was there, there were no buildings. It was just countryside along the river and, “This is where we’re going to build it,” and yadda, yadda. So we just maintained a relationship there, and now if you were to go there, it would make downtown Winnipeg look like a country town. So it just grew up in this whole economic zone. But this malt plant grew up pretty quickly, so we were dealing with them.

Again, the Chinese had their own problem about getting barley in there, but then I had a problem because I can’t sell malting barley to these people unless I go through the Wheat Board. So I basically had to buy it from the Wheat Board. So in those days, there was still a number of commissioners. I’m not sure if Lorne Hehn soon became the chief commissioner, but in any case, Bill Smith, who had been out of Alberta, was a commissioner, and he had some involvement with the Chinese. So I spent a lot of time with him to convince him that, from the Wheat Board’s perspective, “Look, if the Chinese are going to buy outside of Ceroil, the state buying agency, better it comes from Canada than somewhere else. And if they won’t deal with you, but they’ll deal with somebody other than the state agency selling to the state agency, it might as well be XCAN. That way the Canadian farmer will have the benefit of any incremental barley sales.” And so, he supported us, Bill Smith did. We would make a sale in cooperation with the Wheat Board. On paper, we’d buy it from the Wheat Board, and they sold it to us, and then we sold it to them, but that was the paperwork side. We did a lot of business into China this way.

NP: Now was it philosophical why China would not deal with the Wheat Board?

KM: Well, the--.

NP: For that particular product?

KM: Sure. Because the people involved in the special economic zone didn’t want to be involved with the state buying agency in Beijing, because now—whether it’s competitive or, this is my toy. I want to play with it—this sort of thing—the Chinese are entrepreneurial in their own right despite their political structure, and they wanted to do things their way as if it was a private company. Despite the fact that in any of these organizations there’s government involvement in the ownership of it at one stage or another—whether it’s municipal or a province or whatever—in those days there wasn’t really such a thing as a “private” company. It was who was owning it. It may not be the federal government in Beijing, but it was all these others. Well, they wanted to operate independently and by their nature.

NP: So did you find yourself, then, in competition with UGG, your former group?

KM: Not really because I don't think they were plugged into this scene at all. We were way ahead of them, and we had no competition from Richardson's or Cargill or anybody else in that.

NP: No?

KM: No.

NP: Who would have been? Anybody competing?

KM: No. No. We would have been competing with US or the occasional European. These people weren't just looking at Canada as a supplier. They were looking at the variety of barley and this sort of stuff, but we basically did all of their business for all of the time I was there.

[1:05:08]

NP: What are other markets were opening up during your time?

KM: Mexico became a big market for canola in particular. We had an agent there. XCAN had an agent in that market when I arrived, and so we did a lot of business into Mexico, and it became a growing business for canola. The market itself seemed to be growing.

NP: What were the logistics for Mexico? Was it over land?

KM: No. It was primarily out of Vancouver, actually, down to the West Coast of Mexico at Manzanillo, the port of Manzanillo. As things evolved, I think an awful lot more has been going down by the rail. We did ship some canola down by rail, but I don't think we shipped canola through Thunder Bay into the east coast of Mexico. The shortest routing was Vancouver to Manzanillo, and then they would use the Mexican rail system to move it to the various processing plants. So again, we dealt with end users there, and in Mexico, they were all primarily private individuals owning processing plants. There was the odd sort of stock company, but often private companies. Europe was getting smaller. The Europeans rejected genetically modified canola, and that became a reason to support the French rapeseed farmer rather than--. So I'm sure it boosted local prices, but it reduced the volumes coming from Canada into Europe, so the markets there--. The market in Europe got smaller and smaller for us.

NP: Economic union, common market have implications?

KM: Yeah. Well, it was all part of the regulatory rejection of GMOs.

NP: As some people would say, as protectionist legislation?

KM: Exactly. Exactly. I'm not close to it at all. I used to talk to the Canadian trade negotiators in Ottawa about, "If you want to do deals, do trade offs with Europe, we've got to get their acceptance of canola in here and this sort of thing." And it never happened in my day. I know they're talking about getting close to a free trade deal now. I'd be curious as to whether canola is on the table. But reality is that Europe produces a lot of material we produce agriculturally. There's niche markets in the high protein wheats and durums and all this sort of stuff, but it's often as not we produce competing products.

NP: Did you have a unit like the Wheat Board had for the crop predictions and weather?

KM: No.

NP: Did you rely on the Wheat Board for that?

KM: We always were interested in what the Wheat Board came up with. As much as anything, the Pools themselves said to all their people in the country, "How are the crops?" They all had their own structures in place to monitor crop progress and where the problems were and where they weren't.

NP: On the other side, looking at the end customer's possible demand because of crop--.

KM: No, it was more hearsay than anything through our representative offices. At XCAN, so we had a very strong office in Japan and very strong market share. Good connections with all the top people there. The Japanese structure is unique unto itself in that the end users all had alignments with Japanese trading companies—Mitsubishi, Mitsui, Sumitomo, and all these sort of things—so when we went over to meet with the end user, our office was arranging meetings through the Japanese trading companies with the end user. So it was a group grope sort of thing sitting around the table. There'd be four of you all sitting there, but that's just their system, and that's the way it was. In China, as the market was developing—and we ended up selling a huge amount of canola in there, so we didn't bump heads with the Wheat Board at all—but we opened an office in Hong Kong to be more on top of things.

We had a small office there. We sold lots of canola. For a long time, we were the only ones selling canola in there, and then Cargill got into it and Richardson's got into it. Everybody got into it, but it's a huge market.

[1:10:30]

We started trading Australian canola. Australia started producing a lot of canola. So as to be aware of what's going on—crop production, who's buying, the old total role of supply and demand because it's a global crop—we opened an office in Australia, and we traded. We didn't really sell canola into Australia, but we sold Australian canola out. For instance, Australian rapeseed was allowed into Europe, so we sold large quantities of Australian rapeseed into Europe at times when there was just the lull in demand. They had consumed their own production—European production—bit of a lull. There was an opportunity, and it wasn't at the sacrifice of Canadian canola, because we couldn't get in there.

NP: Did you have a favourite customer?

KM: Well, you got to know some people better than others. I don't think favourite, but we had very good customers in Japan. Nishin Oil is a huge consumer there. The people were great. The people at Mits-- It's interesting. At United Grain Growers, they were more aligned with Mitsui as a trading company, but it's the same thing. At XCAN, they were aligned with Mitsubishi primarily, but others, and so you got to know the people at Mitsubishi, senior people. Over the years, you spend a fair bit of time with them and get to know them, and to this day, I exchange annual exchange of good wishes at the New Year with former directors of Mitsubishi, so. It's the people more than anything.

In China, they were more inclined-- And again, you've still got this communist state over everything. They would move people around for whatever reason. I'm not sure that they weren't-- At the lower level, the technical level that we're dealing with the malting, there was less movement, but at the senior level, it's like you're here for a year and now you're transferred over to widgets, and now you're transferred to cars. I mean, it's hard to understand their strategy behind that. But nevertheless, in certain cases, you got to know a number of people. We saw this plant a Guangzhou kind of grow up before our eyes. It was quite remarkable. In Mexico, there was a couple of good buyers down there that we had good dealings with. Same thing in Europe. There's a little more stability in Europe. There was some of the big private companies. An oil company called **[1:13:28 Oilmill]** in Germany. People in senior positions for long times, and you get to know them, which is good. I mean, you want to know your good customers, and you want them to know you and be reliant on you. So it worked out pretty well.

NP: I'm just going to check and see how our battery is doing here.

KM: My battery's just about done. [Laughs]

NP: We're doing fine. Would you like a refreshment on your coffee?

KM: No, thank you.

NP: Okay. Are there memorable stories from your time at XCAN that sort of were highlights or even lowlights?

KM: Well, there was a number of highlights, most of them are people related. At XCAN—and Ken Sarsons had started it before I did—we had what was called a market enhancement program. So the board of XCAN were the three Prairie Pool presidents, the first vice presidents, and maybe one other director. So there was, I think, three directors from each of the Pools. Nine person, no, the CEOs—so the three CEOs, the presidents, and first vice presidents. So it was a very strong board. The advantage there was that if a decision was made—i.e., let's open an office in Hong Kong—if they approved that, it was done. They didn't have to go back to Regina or Calgary or across the street in Winnipeg and get approval from somebody else, which was a real strength of XCAN. A board decision was done. It was done.

[1:15:23]

But what Ken Sarsons started, and I carried on for many years, was we'd have a market enhancement program. Every year we would take a representative from either the board or senior management of each of the Pools on a trip to visit customers. So the whole objective was that, "Let's meet people who are actually using what you're growing." I think that was pretty successful over the years. The support for XCAN was very strong because of what we were doing and what we were seen to be doing, not just what they heard that we were doing. And so, they could see firsthand that people are actually eating what they're growing and how we operated. So that was very positive. We did one to Asia and one to Europe each year. So it went over pretty well.

NP: Any heart-stopping situations? Eek!

KM: I mean, there's relatively minor, but one time we were in a malt plant in China—I'm trying to remember the city—but we were in the malt plant, and the elevator got stuck halfway between floors. This was with this market enhancement group. So we literally crawled out of the elevator when it was halfway between the floor. If the elevator started to move when that was happening, it would have been a problem. But basically, I can remember walking around the pier wall in Thunder Bay in the dead of winter seemingly to be a long ways up from the ice and thinking, "Why am I here?" Stuff like this. You get involved in going through plant tours, rapeseed crushing plants in China where they don't have the security issue controls that we have here, where if

you got to a canola hexane extraction plant here, there's all sorts of precautions about the type of shoes you wear and what you can't do and what you can do. Whereas over there, everybody's sort of walking around unconcerned, and you start thinking of, "If this place blows up, we're all toast," and stuff like that because they happen, right? But no, pretty minor stuff.

When I was at XCAN, a couple of people in the grain trade were involved in fatal accidents in China. And one was this Bill Smith, who was a commissioner of the Wheat Board, was on a vessel in a river in China, and the vessel shifted, and he fell and ruptured his spleen and died. There was a fellow who was involved with the grain cleaning equipment. I forget his name, but he was in a vehicle in China driving along. The truck in front of him moved out of the way, and he got hit head on by another thing. In those days, when I first started going to China, they were just getting used to driving vehicles. I mean, prior to that, it was bicycles. Millions of them. People really didn't know how to drive. It was pathetic. I saw lots of accidents where guys drove into people on bicycles, and people flying--. It was pathetic. Quite different. You come with your own background in what's normal and what isn't normal, and then you go over there and they're doing things pretty primitively. It brings you back to reality and an appreciation for what you've got at home, right? [Laughs] So.

NP: Did everything go fairly smoothly with deliveries, promised deliveries? Were you able to have a pretty good track record for fulfilling your commitments?

KM: As a rule. Yeah. As a rule. The Pools, again, their support, large terminal handling capability at Vancouver and Thunder Bay, so that was a real asset, a real benefit. This is something like the Wheat Board right now with their new role has got to be having problems with in the sense that they don't have the facilities. I guess they've got arrangements with different people and that, but it's a big disadvantage not having your own assets. So things are going to have to change for them to be successful under this new structure of theirs. But the Pools had the infrastructure in place to support it.

[1:20:50]

NP: And the size.

KM: Yeah, and the size.

NP: The size to pry out service.

KM: That too. I mean, quite frankly we took the approach of pressing the Pools' country system to generate. We tried to suck it through the system rather than just react to the inventories they had. So we were aggressive sellers, and to that extent, their market

shares improved. So that was a strategy we took. Rather than waiting for them to say, “Please sell more,” we took the strategy of saying, “Please supply more.”

NP: And leveraged with the shippers, both rail and water.

KM: The railways, yeah. The bigger you are, theoretically, the more leverage you have. I’m not convinced we had particularly good leverage with railways. I don’t think anybody does in Canada, just under the structure. I think if it was a more responsive rate system, I think the bigger guy has a bigger stick, but right now, I don’t think the railways really respond to that. They don’t have to. And it’s not in their economic interest to do so, other than trying to avoid public criticism. But that doesn’t seem to bother them. No, it’s an advantage in dealing with vessel freight, in booking. You’d book a whole number of vessels, a series of vessels. You’d get a lower rate as a result. Now the onus is on you to make sure you fill them all and all that’s on time. But no, size makes a difference, sure.

NP: How would you describe Canada’s reputation internationally?

KM: I think it was and probably still is pretty good. I think the quality of product has always been highly regarded, especially in the wheats as the primary thing. But no, most of the products are well accepted, I believe.

NP: And because you were able to deliver in most instances with unforeseen issues occasionally, you were also reliable, particularly reliable.

KM: Yes.

NP: And that’s something you said earlier on that was very important to these big companies.

KM: Yeah. It’s important. The challenge we had, especially when you’re going into a developing market like China-- . And again, it’s a bit like their car drivers. They didn’t know how to drive a car. As China was opening up and there were more of these separate economic zones, so they, on their own, could source their own product and didn’t have to do it through the state buying agency. Now it’s a question of knowing your customer, because when you make a sale, a large sale of canola—a ship-sized quantity, 50,000 tonnes—it’s worth a lot of money, and so now, as much as anything, you’re very dependent on them to fulfill their end of the bargain. And so, most of the business in those days was all done by letter of credit. They had to open it up with established, creditable banks. So now we’re dealing with people in China that aren’t particularly experienced in all this sort of stuff. They’re dealing with different banks. They have their own banks. Every province and city had their own banks, some of which you

didn't want to deal with. So there was a lot of skepticism and due diligence required as to forcing a trade through an uncredited bank, a Canadian bank, or a US bank, this kind of thing. That presented lots of problems, and occasionally we had a problem where the buyer didn't perform, and so then we had to pursue things through channels. Now you're dealing in Chinese channels. And a couple of times I leaned on the Canadian ambassador in Beijing to help us out, to help expedite things. So in the long run, things usually worked out, but there were times when you had sizable money on the table that you had to chase after.

[1:25:26]

NP: The Department of Industry and--. What's the federal? Trade. Were they a player at all in getting into the country and--?

KM: Not so much as--. I made a point of almost always calling on our ambassador and their senior trade officers to make them aware of what we were doing. More often than not, they didn't know, so we were informing them as to where we were at, what we were doing, how we were doing it, how it relates to this. So then occasionally if--. And if we needed some help--. "Okay, can you introduce us to a few of the people?" Again, in China we're going through government officials who often had more of an influence because everybody was government-official oriented in China. If that would help get you introduced to meet certain people, then you would do that. So they would do that. We'd have the odd sort of luncheon in the embassy because they had arranged something for us, but as much as anything, it was to just, number one, keep them informed, and number two, I always found these people to be very--. If you asked them to dig up some information, they were very good at it, and they liked to respond to industry's requests rather than government--their own governments, because they felt they were a little more pertinent. Then if you needed some help, they were there to help you, and that happened.

NP: And what was XCAN's connection with the Canadian banking industry?

KM: Very strong. We had our own particular banking arrangements with one or more banks, but we dealt with almost all the banks because we often hedged our US dollar. All of the trade was pretty much done in US dollars. Initially out of China, you would see some pound sterling trade, but that changed quite a bit. It went to US dollars. So you were dealing with all of the banks and hedging our US dollar positions. So we had a good relationship with them, and of course, we had the Pools. They all had their own banking arrangements, and they were strong in their own right. So it was good.

NP: So let's move along then to--. We started then to move into amalgamations.

KM: Yeah.

NP: How did that play out and what implications did it have on the industry and you?

KM: The Pools—and I was involved in board meetings and their joint meetings, Prairie Pools stuff—but the interest of them coming together had been there for a while. As a matter of fact, shortly after I went to XCAN, they had meetings to pursue a merger, if you like, of the three Pools. And if I’m not wrong, I believe Alberta Pool was the reluctant bride in the first go around. Doug Livingstone, I think, was the president of Alberta Pool at the time. But they didn’t stop them from talking. So then they--. And I don’t think it became really public at that point in time. It was more internal, and it just didn’t happen. Milt Fair, Garf Stevenson at Sask Pool. Milt Fair was the CEO, was the primary mover. They saw the benefits of coming together, of being the big Canadian company. They saw the value of XCAN being their representation. So now we’re talking about a significant Canadian actor in the world grain trade. But they needed all to come together. There was an advantage to coming together. But nevertheless, even between the Pools, they had their own political aspirations and differences. Man Pool was pretty well onside at the time. So anyway, that didn’t happen. There was another extended effort that took place in the mid-’90s to get things done, and at this point in time, Milt Fair had retired. It was now Leroy Larson as the president and Don Loewen as the CEO.

[1:30:19]

NP: For which one?

KM: In Saskatchewan.

NP: Okay.

KM: Greg Arason was the CEO of Man Pool. I forget. Names aren’t coming to me. But in any case, this time around, Saskatchewan Wheat Pool was the one that was having problem with the idea. Again, a bit of background. At XCAN, I would come across let’s call them investment opportunities abroad. You know, “Malt company X in China would like XCAN’s involvement in expanding or building another malt plant,” and this sort of thing, and I would bring these. We didn’t have that mandate at XCAN did it, but I’d bring it back to the Pools. “Are you interested in doing some of this sort of thing?” Well, to make a long story short, Saskatchewan Wheat Pool seemed to be more interested in broadening its scope rather than the others, to the point where Saskatchewan Wheat Pool invested or built a grain terminal in Mexico. I think they were doing something similar in Poland by the end of the day. But that was on their own, without the other involvement. So there was some differences in philosophy about where they wanted to go.

But in any case, the idea of them coming together in the '90s, I guess it was, mid-'90s, didn't get anywhere. So Alberta Pool—Gord Cummings was the CEO at Alberta Pool at the time—and Man Pool thought they would carry on and see what they could do. Well, they formed Agricore. So I don't know, '99 or something like that. So now Agricore was formed. Saskatchewan Wheat Pool was here. They were still joint partners at XCAN, and so Alberta Pool, Man Pool kind of reorganized a bit to reflect this new Agricore thing. Well, then it was 2001 when UGG came along. I don't know who approached who. Saskatchewan Wheat Pool then withdrew as an owner of XCAN, but we maintained the marketing relationship. Actually, it was probably in the '90s. Sask Pool was running into financial problems. Whether it was a reflection or a result of their investments in Mexico and Poland, which actually weren't going very well—it was probably a combination of a number of things—but they ran into some serious financial problems.

NP: What kind of arrangement would they make? Like they'd sort of buy a service?

KM: We would charge them a fee for selling grain. So the relationship as far as--. They were still doing it through XCAN, not competing with us, but they were supporting us, but they were able to get their equity out of XCAN to help satisfy some of their other banking needs, I guess. So anyhow, that went on for a couple of years that way, and then UGG came along. Now, in the meantime, UGG had gone to a publicly traded stock, right? And so--.

NP: Stock standing for--?

KM: Well, they had shares on the Toronto Stock Exchange, right?

NP: Yeah.

KM: So they had gone from a co-op to a stock company. So Agricore and UGG got together and formed Agricore United. At that point in time, Gorg Cummings was the CEO of Agricore. He retired. I retired. They just pulled everything together and reorganized after that.

NP: And XCAN disappeared?

KM: XCAN basically disappeared. They maintained their office in Tokyo. I believe they shut the office down in Hong Kong. They sold the business in Australia to Paterson Grain, which was--. Not only were we involved in canola, but we were involved with some specialty crops with a very small staff on site. But anyhow Paterson Grain bought that or got it. And United shut the office down in London. I'm not sure whether UGG still had an agent representation in London or not at that point in time.

NP: So did XCAN fully disappear?

KM: The name basically did. It carried on in Tokyo for a while, XCAN Far East. Then, of course— So Agricore United, not too sure how many years that operated, and then Sask Pool ended up buying them and changing the name to Viterra. So at the end of the day, what started out as the three Pools and UGG getting together to form XCAN in the early '90s, ended up as an amalgamation as Viterra in the 2000s.

[1:35:21]

NP: And a publicly traded company. So the co-ops were--.

KM: Publicly traded company because in the meantime, Sask Pool had gone to a publicly traded stock as well.

NP: Any comments on what implications that whole domino effect had in particular on the ability to market Canadian grain? I guess we can tie into that because of the timing the disappearance of the Wheat Board.

KM: I don't think it had any implications on the ability to sell Canadian grain because I think the marketplace tends to fill in the voids when things happen. It's like taking your fist out of a pail of water. There's no hole left. Things fill in. I mean, Canada still produces large crops, good quality crops, and they all get marketed. They did before, albeit under different scenarios. Is it more efficient now or is it less efficient? I--.

NP: You had talked about the advantages of size. But someone else had said in the interview that at the same time as the large Canadian marketers were easing down, the world situation was the state-owned purchasers were also having less input. So do you agree or disagree with that?

KM: Well, that's right. You know, listen, I think the Wheat Board's role was best filled when there was state buying agencies in East Germany and Czechoslovakia and Russia and Poland and China because like people like dealing with each other. There was a state organization dealing with a state organization. The Wheat Board was basically a state organization. They had the law behind them and the monopoly. Nobody was competing with them on Canadian wheat, and they were dealing with the people who had the monopoly on the imports. So it was a perfect match.

When the wall came down and the Soviet Union collapsed—and that happened before, well, a little before the Chinese change, but the Chinese changed philosophically was happening probably about the same time in retrospect—so less emphasis--. Well, in the

case of the former Soviet Union, these organizations disappeared and individual companies or organizations were on their own to source their own supply. They had their challenge of finding money to finance it, and I think that goes back to “Why did the volumes drop off?” I think there was a shortage of cash, and so I think people ate less in the former Soviet Union than they did when the structure was working, but they ran out of cash. In China, same thing. It’s a reflection of the market now. I think the state buying agency there is still active. I haven’t had any deals with them. So to some extent--. But they were used to dealing with private suppliers. I mean, the Americans have been shipping wheat into China for years, but it wasn’t the US Department of Agriculture making the sales. It was Cargill and all the different private companies. I found the Chinese very entrepreneurial and adoptive. They would go with the flow. Whereas the Eastern Europeans were much more dogmatic about it. So things changed.

So now the importance of the Wheat Board and the value of the monopoly changed from the marketplace point of view because their traditional customers—state buying agencies—all disappeared. And so now what’s their role? Well, they’re controlling the export. So I think their role really became passe about that point in time. It took a while for it to be realized.

NP: And how would you characterize impact on farmers?

KM: I know there’s always been the argument the Wheat Board got a premium price and all this sort of stuff because they had the monopoly and that. I’m not convinced that’s the case. I think at the end of the day, the market--. It’s not like Canada was the only people producing wheat, and so you’re always competing with other originations, and to that extent, the Wheat Board had to compete with American or European or South American quality. Did the Canadian wheat get a premium to those others? Probably in certain markets. And to this day, the biscuit market in England still gets a premium. Well, that’s okay. They’re paying a premium, and they’re looking for a certain quality. And I’m sure that’s being supplied today by private companies as well. I think it was almost impossible to prove, and I know the Wheat Board spent lots of money trying to prove that they got a premium. I’m not sure they convinced too many people of that. So nowadays, I don’t think it’s any different.

[1:40:50]

NP: And the disappearance of the Pools?

KM: Well, I think the farmers are still served. There’s not as much competition out there anymore. There’s not as many companies competing for their business. The economics have caused a lot of the change. Can’t have elevators every 10 miles apart, so now they’re 60 miles apart or 50. So there is a degree of competition. Farmers are paying that transportation cost. They always have, directly or indirectly. To me, the one disappointment is the farmers, through the cooperative structures they had, were running very good businesses. The cooperative structure itself though, the principle of repaying all the profits back to the grower on an annual

basis, limited the strength of their organization and prevented them from regenerating themselves competitively. So I think the structure itself hurt them a bit as far as dealing with technology and the modernizations that went on with transportation and that sort of thing, but the idea that we now don't really have a big Canadian player in the international grain trade bothers me a bit. Richardson's is probably the only one that is potentially close, although today they're not as big as the Pools were. To give the Richardsons credit, they were one of the first ones in the Canadian grain trade, and they're still there, and they've certainly grown through all of this consolidation that's taken place. They've participated in it and benefitted from it, and they've done a good job.

NP: And if big isn't the answer to or isn't necessarily translate into success because they are a small fish in the big international pond--.

KM: That's right, and even XCAN/the Pools. Unless you start trading other origin grain—American grain and this and that and everything else—you're still a relatively small player. But if you're trading a good percentage of the Canadian book--. And Canada's still a major player in the international grain trade. That's still something, a big Canadian--. But now Glencore out of Europe now owns Viterro, right? And the Canadian operation is part of their global operations. Okay. I mean, the Canadian grain is still moving, and from the grower's perspective, I'm not sure things have changed a lot. It's just that: Is it Canadian, or is it something else? It's not as Canadian as it used to be, that's for sure.

NP: Yeah. Is there more of a risk that if competition is such--. There was always an interest in Canadian operators, whatever they were, to market Canadian grain and to do the best. But if you're an international trader, is that commitment still there?

KM: It's modified, I'm sure. The reality is they do have an investment in Canada, and so they have an economic interest in having that investment provide a return. But the idea of pushing Canadian over something else is not there. I'm going to have to use the--.

[Audio pauses]

NP: There we go. Anything else to say about your career at XCAN, the changes, the challenges?

[1:45:05]

KM: I don't think so. We talked about some of the expansion we took internationally. The whole strategy was to position ourselves in the international marketplace as the Canadian company to do business with. So we were involved in a number of organizations to strategically position ourselves in that role. For instance, there's an organization called Pacific Economic Basin Council. A senior group of businessmen, not just agrifood but a variety of businesses, representing countries from all over the Pacific Rim—South

America and the North Pacific. So I was involved personally in that, and it was all part of the strategy of positioning ourselves. It's funny. When the Agricore-UGG merger took place and XCAN was absorbed, all the trading people into it, the strategic focus of the new management seemed to be much more on focussing on moving the product from the country to port rather than to export markets. And so, there was a very much backing away de-emphasis on participation directly in the marketplace, which I was disappointed in, but I thought it was also a reflection of the differences. Like at UGG when I was there, their primary concern was getting it to a port, not so much to the end user wherever they were. Whereas at XCAN, it was the opposite. So when this merger took place, they just went back to--. It seemed to be where they were comfortable with, which I didn't agree with strategically, but things have changed, and lots happened since then. So now you end up with a Glencore that's totally worldwide, and it doesn't matter anymore.

NP: Now--. Hm. Where was I going with this? You had said that one of the things that helped with XCAN being successful was they could guarantee a supply because they were big enough, and they had enough funnelling in. So if we go back to the smaller Canadian operators then, are they then eliminated from the market because they can't guarantee that?

KM: They're probably eliminated from some business. Often, the smaller suppliers would be suppliers even to an XCAN of the day or a Cargill who had more of the connections with the end users. It wasn't uncommon to buy from a competitor other than a Pool in the cash market, say, Vancouver, Thunder Bay. So if Paterson had 5,000 tonnes of canola they were interested in selling, we'd buy it from them and store at Vancouver, Thunder Bay. Their obligation was to get it to the port in time, and then we worried about getting it on a ship. So that sort of trading activity went on on a regular basis. Yeah.

NP: Now, you also mentioned that you are currently or went on from the Agricore, from XCAN, and had some work with futures?

KM: Yeah. At United Grain Growers, I got involved in the Commodity Exchange, and at XCAN continued to. So I mean, the Exchange is operated by participation from all the various participants. After I retired, the Commodity Exchange also changed ownership. ICE, Inter-Continental Exchange, I guess, bought the Winnipeg Commodity Exchange. So they formed what's called a special regulatory committee, which we actually report to the Manitoba Securities Commission, which is the overseer of the activities of the Exchange. And so, we meet a number of times a year. The monitoring staff, the supervisory regulatory staff of the Exchange reports to us, and on their recommendation, we change rules, modify rules for the trade participants to follow so the market operates efficiently.

NP: Was there any impact—positive or negative—of the Exchange moving out of Winnipeg and becoming continental as opposed to--.

[1:50:11]

KM: Well, it really hasn't moved out of Winnipeg. The ownership had changed. It has gone to electronic trading. I mean, in the old days, it was all on the floor. Electronic trading, it works very efficiently, yadda, yadda, yadda. There's all sorts of regulations to be adhered to because a lot of the players have always been and still are in the US, major international grain traders. Even other financial institutions, they offer you as a private investor, if you want to invest in Winnipeg canola or something to try and get a return, they offer these brokered services. So the volumes on the trade of canola has gone steadily up, and the system works very well. When the Wheat Board basically shut down, the Commodity Exchange tried to get a wheat contract going, a Canadian wheat contract going, and it really hasn't gone anywhere. Again, another disappointment, I think. And this may be a reflection of the fact that you don't have many Canadian companies in the Canadian trade anymore. You've got a couple, but the only one of size, really, is Richardson's.

And so, as a trader, as a company involved in the trade of wheat, you're looking for liquidity. You need to be able to hedge your business. It's not that you're speculating in wheat. It's that if you make a sale, you want to be able to hedge it on the futures market. If you make a purchase, you want to be able to hedge it. That's the function. And if you don't have lots of volume, it's difficult to get in to do your business of hedging. So what happened? Over the years, with the Wheat Board system—in later years they used the Minneapolis wheat market to hedge some of their business—but they basically didn't hedge. So with them out, the Exchange tried to get a wheat contract going. It really had fallen on its face. I think if there were more—going back in the older days—if there were more Canadian players, I think collectively they would have made it work. It means commitment to actually using it and all this sort of stuff, but with what's left now, only one sizeable Canadian company, and one company can't make things work themselves. So it really hasn't happened. The international wheat trade basically is Minneapolis or Chicago or Kansas contracts, and Winnipeg isn't happening. So it's too bad.

NP: Does any of that have an implication for the farmers?

KM: Not really. Again, the trade adapts. It makes things happen. In terms of-- I think the farmers still get the value reflected back to their farm or when they're delivering it to their local elevator. If there's a premium to be had for Canadian quality relative to other, they will still get it because that will be reflected back to them. As long as it's competitive. If you don't have more than one company that potentially wants your grain, then that can be an issue as far as how competitive your price is.

NP: Is, from a marketing perspective because of the small-- One of the things that I heard, and you can comment on this whether it's accurate or not, is that some people have said Canada is actually better off if they forget this whole marketing on the basis of a high-quality product and just grow what other countries grow and survive that way.

KM: Well, I think the opportunity is there today, and it will be interesting to see whether there's going to be much change. Canada was known internationally as having high quality wheat, and high quality basically usually means high protein. But every type of wheat can produce a different flour for different milling purposes, et cetera, so now you're back to, "Well, how much demand really is there for 13 or 14 percent protein?" Or this and that. It's the old story. If the demand happens to exceed the supply in any given year, the price is going to go up. That's the way it works, and vice versa. So I know I can recall different people standing up and making speeches about, "Well, Canada should grow more feed quality wheat because there's big demand for feed wheat, and the volumes would be higher because with certain varieties you can produce more feed quality wheat," and all this sort of stuff. But it's a lower price.

[1:55:34]

At the end of the day, as a grower, the farmer is a businessman, and he's going to try and get the most he can out of his farm economically. Of course, he has huge risks every year in what he does, but he'll grow a lower quality if he can get more quantity. At the end of the day, it adds up to more value to him. He's also cognisant of how he treats the land, and he can't keep growing the same crop on the same land every year, so he's got to change the crops, et cetera, et cetera, and apply fertilizer, all this sort of stuff. He's got to make these decisions. And growing malting barley or the top grade of wheat every year may not, in the long run, be what he wants to do or needs to do. So they're going to change.

I don't think you--. Canada had this reputation, probably still has the reputation because it becomes a bit of a saga after a point in time, but at the end of the day, farmers are growing, and I think canola is a classic example. They're growing what the market wants, where there's demand for it. And the demand shows up not just in quantity, but usually in price. And we've seen the growth of the canola crop in western Canada is unbelievable. It's huge. It was grown not so much on the back of high quality, although the development of canola with the low erucic acid and all this other sort of stuff, no question that increased the demand, the market for it, and the demand for it. One thing led to another. Getting GRAS [Generally Recognized as Safe] status in the US. The industry as a whole worked together to achieve a lot of these accomplishments, and I think that's a great tribute to the Canadian grain trade. I think they have collaborated in many instances and still do in terms of working together to help market Canadian product. The Canadian Grains Institute with the wheats. The Wheat Board provided a lot of support for that, but I mean it was an industry-wide collaboration, and they're doing things on flax and all sorts of things. I don't think people are just hanging their hat on the Canadian quality thing. I think the Canadian trade has done a good job in responding to what the market's been looking for and developing modifications to the product for unique markets.

NP: Comments on the Canadian Grain Commission [CGC] and how that impacted your ability, if at all, to market?

KM: I think the Canadian Grain Commission has been very supportive on the export marketing side. You required the grain certification on quality, and that went a long ways to--. It became a standard for exports, and it went a long ways to eliminating a lot of argument over what the quality was. So the sales would be based on Canadian Grain Commission certification. So the buyer would agree to that. The fact that they were a third-party government quality sort of thing, there was this independence that was accepted as a pretty good standard in the international marketplace. Rather than relying on my word that this is a good quality, and you might disagree as the buyer, here's this third party saying, "Here's what it is." You could appeal it, I guess, but nevertheless, the whole system they had in place for quality sampling and all this sort of thing, it stood the test of time. I think that end of it has done a good job.

NP: If you look back at the obstacles that the Canadian grain industry had in developing in the first place—weather, location, distance from ports and so on—why did we become successful?

[2:00:13]

KM: Well, I think it's a bit of the benefit of nature in terms of the crops that were produced in the very short growing period in this climate sort of thing. So I think--.

NP: Research that allowed that?

KM: Well, for sure. A lot of research has gone on to add to, and the guideline was basically they wouldn't approve a new variety if it wasn't equal to or better than the last one. There was a concern about quality and not having it watered down. You could see that was a government regulatory oversight, but that's the role they took. I think it stood up over time. Transportation, it's a big cost for the farmer. I mean, if you're growing in Saskatchewan, it's a big expense to get it to position. Again, it stood the test of time that at the end of the day, the Canadian farmer is competing with the US farmer or the South American farmer to that extent if they're supplying--. That's why you want to differentiate your product to the extent you can, and if somebody else starts growing what you're growing, the same quality, well, then it's another competitor as a producer.

NP: Would it be fair to say that because of the Canadian climate, distances from ports, that costs to grow Canadian wheat are higher than, let's say, Australia, Argentina, and the US, which are the major competitors?

KM: I think the Americans have similar problems to the extent--. Although, they have a much larger domestic market. When it comes to exports, the farmer in North Dakota or Minnesota has got the same sort of challenges the Manitoba and Saskatchewan

farmers do. I think some of these other originations, they're much closer to port than we are, so the costs would be less. Where was I going with this? The--. Lost my train of thought.

NP: I was talking about how the additional costs to the farmers in Canada versus the costs to competitors.

KM: Okay. There's no question that this has led to the consolidation of the farms. I mean, we've seen huge consolidation of the number of farms. Basically, the same amount of land is being farmed but by far fewer farmers. So bigger farms gain the ability to use technology with bigger equipment and more able to do various things, more sophisticated equipment with the application of fertilizers and all this sort of thing. Technology has helped, but it has still forced to be bigger to get the economies of scale out of it. And of course, the gamble becomes that much bigger every spring when you're putting a crop in the ground. Again, I don't think this is just unique to Canada. Maybe relative to South America and some of these other places it is, but I think we've seen farm size in the US going the same way as well. So I think they're all subjected to the same pressures.

NP: Okay. Last couple of questions.

KM: Okay. [Laughs]

NP: One. What part did you play in making Canada a successful grain trader?

KM: Well, I'm not--. Personally, probably not a heck of a lot. I think our organization did a lot. To the extent I led the organization I'll take some credit, but--.

NP: You didn't end up in jail. [Laughs]

KM: I didn't end up in jail. I mean, we all have our own personal things, but we focused on it--.

[2:05:04]

NP: Well, let's say you or your role, if that makes you feel a little more comfortable.

KM: Yeah. I saw what was happening in China pretty early, and we jumped in with both feet. We also made some innovations into Australia as well, but in terms of--. They weren't so much consuming Canadian. You look at China, 1.2 billion people at the time, probably 1.3 now, a huge market. They produce ten times what Canada does in terms of agricultural production, but their

population is 1,000 times. I mean, so the opportunity was there. So we rushed in, and we simply dealt with the regulatory hurdles that we had to deal with between the Wheat Board and Ceroil in China and this sort of thing.

There was another occasion on the canola side of things—and canola was our big volume. So we spent most of our time dealing with canola—unregistered varieties showed up in a shipment into Japan one time, so there had been—. I guess there's always varieties being developed and tested and this sort of thing, but if they don't get approved, then they're supposed to be destroyed, and you move onto another one. Well, some unapproved material showed up in Japan when they were doing their testing. Who was the seed producer? Big company out of the States. I forget their name now. But it was our customer that brought it to our attention. We had an emergency meeting with the Pools because it came out of the system. We talked with the people that owned the variety that had supposedly destroyed all of this stuff. This fellow out of St. Louis and I went over. We met with all the customers in Japan, assured them that we had tracked down what the source was and got control of the bags of seed that were still left, destroyed it. Assured them personally. Basically, it was personal assurances at that point in time that this had been dealt with and wouldn't happen again, yadda, yadda, yadda. So there was a case of reacting to a tornado that was about to happen or was happening. So things settled down.

You do that in your role, but you get personally involved, and you see just how this thing works. Again, Canada's system has a tremendous reputation in places like Japan, which are super conscious about food quality and safety and all this sort of thing. If you understand where they're coming from, it helps you address some of these problems.

NP: Client focused.

KM: Mmhmm.

NP: What are you most proud of? Long career, lots of potential to be proud of, but what's at the top of your list?

KM: Well, I was quite proud of what we accomplished with our growth and positioning at XCAN. And so, having said that, I was probably then quite more disappointed as to the role that subsequent management took with some of the mergers that took place because I think they missed an opportunity to leverage what was already in place to even make it bigger and better. Different strokes for different folks.

NP: Yeah. If we turn the clock back, and if the Pools had successfully merged and XCAN would have still been there, is that a more encouraging scenario than looking at--?

KM: Well, I'm a nationalist. I'd like to think that. Canada, with its background in the grain production side of things and the reputation it had for quality and just high regard, I would like to have seen a Canadian company continuing to have a strong role there. I'm sure that the people at Richardson's would argue, well, they are.

NP: And maybe they will grow.

KM: And good for them. I've got a high regard for the people there. I believe you need a certain size of scale to support it because, globally, it's a huge business. And so, the Pools were in a very strong position representing roughly 50 percent of the Canadian production with the support of their farmers. If you added UGG in there, now you're up to two thirds. Nevertheless, I think there was an opportunity to be that global Canadian player. They would have had to change. I do think structurally they would have had to change their structure from a pure co-op because of the need for capital just even to keep sustaining your own and replenishing your own operations. It takes a lot of money.

[2:10:49]

NP: Sort of almost a hybrid of what happened.

KM: Yeah. I think there would have had to have been some change there for them to deal with it capital wise, but as far as the international grain trade goes, it was great. Always good people you were dealing with—top quality. I got to know senior people at Cargill in Minneapolis that absolutely top of the world as far as quality of people goes, integrity and that. The grain trade is interesting. A lot depended on an agreement, a verbal agreement. That started everything. If you don't have that ability to do that, then the thing really weakens. So great people, wonderful. Met all sorts of wonderful people. Great memories. I think we were a real player in the game. Disappointed that subsequently the things changed, but I've been around long enough to know things change.

NP: Our project is—what we would ultimately like and how it sort of came together—was we wanted to actually celebrate almost the grain handling and the system that was created so that you could become a player on the international market. So you could sell and then there would be some infrastructure in behind it.

KM: Exactly.

NP: So the setting up of the grade system, the handling system, the certificate final, all of those things. And from industry we've heard that they are somewhat interested in the history that followed, that came from the initial farmers setting up in the Prairies, but they're also, they said, "We also would want it to feature things like what are we doing today."

KM: Exactly.

NP: So that to me is great because history is not as saleable as something like a bioscience centre that allows you ongoing programming. So when you look back at your career and the different entities that you've been involved in, what do you think would be important to feature in that centre that would celebrate and respect what came before? And if you'd like to add to that what is currently existing.

KM: Well, I think it's an interesting study, the history and how things have evolved, and they keep changing, reflecting different times and circumstances. But I think you hit on it earlier. The role of research that's gone into the various crops, the changes that have come out of that. The canola is a classic example, but when I left, I was involved with Canadian Flax Council, and they were doing all sorts of research projects, and there's a lot of excitement. I'm sure it's just going through the moon about the potential for some qualities of flax seeds. So I mean, over the years, there's been an awful lot of research done that's led to improved products that have contributed to whether it's medicines or whatever. I'm really keen on some of these things with flax. Well, I think that's terrific, and it's generally been a collaboration not just of the government or the public, but of the grain trade. You might argue, "Well, why are they involved?" But over the last-- I think there's been a real collaborative effort into research to improve on the products. We're basically talking food products or health related products, and I think that's good for humanity. I think you have to feel good at the end of the day about these things. So I think that's, as far as I know, that's still happening, and I think it's a very positive aspect of the whole grain trade from way back when.

[2:15:09]

NP: Essential.

KM: Yeah. Exactly.

NP: To keep moving forward.

KM: And it's the evolution of the process. We're not just sticking anything in the ground and selling what grows out of it. It's much more sophisticated than that and potentially of more value. Again, if you can come up with products out of these various

crops or new crops to be designed that are going to benefit the producer, then, I mean, we can argue with that. I think you talk about grassroots in the first place, but it has evolved to quite a sophisticated business, and it's only going to get more so, I think. Hopefully, we'll all benefit from it.

NP: And part of the history, to me, that's fascinating is just shifts. Because we certainly see it on the ground level in Thunder Bay. With each of those amalgamations, elevators shut down. So from a couple of thousand workers down to 250 on the waterfront. Just seeing how shifts occur and that nothing is guaranteed.

KM: Oh, for sure. My expectation would be more of the potential benefits to the Canadian economy. Now where they're going to happen is another thing, but if you can do more processing and refining of a particular product in Canada instead of shipping off raw wheat, then the economy itself will benefit more from having high value jobs within the country. And again, the marketplace is a great equator of this. It calculates: Is it cheaper to mill wheat in Tokyo or in Winnipeg? The way things are happening, it sounds like it's cheaper to do it in Tokyo, move the grain there. But as we get into more of these potential new products, it might be a lot cheaper to ship cartons of particular medicine to Tokyo than shipping tonnes of flax over there and have them convert it to a medicine. So time will tell.

NP: We've not been successful of that in the past, but we can always hope.

KM: But having said that, there's an awful lot of oilseed processing going on in Canada that never happened before.

NP: Good.

KM: A lot of that evolved out of this collaboration and the research on the new products. Now these things are satisfying a much percentage of the North American domestic market than they ever did before. The North American market is a pretty good sized market, and they've got, generally, relatively wealthy compared to some of these other markets we're talking about. So it's not that there might not be a demand for some of these things in China, but you might get a better value out of it in North America.

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

KM: I don't think so. I think it's been pretty broad. I think it's been interesting. I tried not to disparage anybody, so there you go. [Laughing]

NP: So we can just leave no restrictions on your--.

KM: I don't have any. I don't think so based on what I said.

NP: We have put in a request to the National Historic Sites and Monuments Board to have a little elevator in Thunder Bay, which is an operating elevator, designated as a National Historic Site, and also a designation for an event, which is the development of the grain industry nexus, which is the rail system, the shipping, and the handling facilities. So a decision has been made, but we don't know what it is yet.

KM: Okay. Well, good luck.

NP: It's now in the political arena, so who knows what will happen to it. But if it's okayed, then we are hoping to actually get a little centre established, which is a different--. [Knock on door] Hello? If it is successful, it helps us if we have a nice list of interested parties. Could we add your name to the list?

KM: Sure.

NP: Okay. Great. And I'd like to thank you so much on short notice to give up two hours of your--. Well, a little bit more of your time.

KM: No problem. It fit in. [Laughing]

NP: Thanks so much. I was very lucky that way.

End of interview.