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Summary: In his second interview, associate publisher and editorial director for Farm Business Communications John Morriss follows up on topics and changes from his previous interview. He begins by discussing the major changes in publishing, namely the switch to digital and more focus on other agricultural areas like livestock. He describes the lack of farmer involvement in policy and information, as well as the non-existent arenas for discussion and debate on common issues without the Pools. He discusses the major change since his last interview, the removal of the Canadian Wheat Board and its turn into a private company. He describes the fallout of this change, like the lack of coordination and oversight of the railways leading to service issues, the decrease in premium prices for high-quality Canadian wheats, and changes to logistics in ports. Morriss discusses other changes and evolutions of the industry, like the downsizing of the Canadian Grain Commission, customer concerns about cargo quality, continued company consolidation, and focus on high-yielding rather than high-quality grain varieties. He describes the current state of the private CWB Ltd. company, its acquiring of physical assets, and its availability for purchase by larger corporations.

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Time, Speaker, Narrative
NP: This is Nancy Perozzo conducting an interview in the Hotel Fort Garry in Winnipeg, Manitoba. The date is December 2, 2014. Another year is almost over. This is the second interview with our narrator today. The first one was in 2012, so I'm hoping to sort

of just review what's happened in the interim since we did a lot of speculating in the initial one. So, if I can have you introduce yourself, please.

JM: I'm John Morriss. I'm currently associate publisher and editorial director at Farm Business Communications. We're Canada's largest farm publisher, so we publish *Grain News*, *Manitoba Co-operator*, *Canadian Cattlemen*, *Alberta Farmer Express*, and a few others. I've been in the publishing business in one form or another, the ag-publishing business, since '89. Previous to that from 1977 to '89, I was director of information at the Canadian Wheat Board [CWB]. Before that I worked for *Grain News*, for one of the publications we have now in our staple. My start in the grain business was taking a display trailer around western Canada for the Hall Commission telling farmers the railways were about to be abandoned—rail lines. It was something of a trial by fire, but that's a brief history.

NP: Great! Just by circumstance, I interviewed Greg Arason yesterday, who was with the Manitoba Pool Elevators, which *Grain News* was--.

JM: My old boss!

NP: Yes. His name came up in your interview as I was reviewing what we had talked about in 2012. What I find interesting now coming back to you after two years—or even if I think about some of the early interviews that I did—is that although the grain industry covers a vast region of Canada, all the players at a certain level know each other. When I'm interviewing them, different names come up and it's like putting the puzzle pieces together and trying to get an accurate picture by what you hear from different interests around the table. I was interested in what you had to say back in 2012 about the merger of the Pools, and then talking to Greg who was, as you were, very much involved and also lost his job as a result of one of those mergers. It's all very interesting. I think when we last spoke, it was 2012. So, when did the Wheat Board end its final year? Was it the next year?

JM: I think it's been, is it two or three years now? I think it--.

NP: So, two years?

JM: Two years, yeah. The monopoly ended I think July 31, 2012.

NP: Now, just from my perspective because I sit in Thunder Bay—which is pretty far removed from--. Oh! And I should say that we have someone in the interview room as we're going on, so if I inadvertently sometimes include Lisa Gunther in the conversation, you'll know what is going on. I used to rely on two publications for keeping tabs on the western industry when I was

sitting in Thunder Bay. We had an agreement with the Canadian Grain Commission [CGC] that we could have office space with them as their in-kind contribution to our project. So, the *Western Producer* and the *Manitoba Co-operator*. I'd say that they received probably 10 copies of each at that time. Now I can hardly find a copy. When I do, there has been quite a change, in my mind, to content in the publications. Am I just reading something into it?

JM: Probably not. I can speak more for the *Co-operator* more than the *Western Producer*, which I'm not involved with—at least not directly in any way. There's certainly been a change in at least, I don't know if the content has changed maybe so much as the way we present the content. Because when I started even with the *Co-operator*, I started there in '89, and even back then if you wanted to get news out to the farmers, they pretty much had to wait until it arrived in the mailbox, the *Producer* or the *Co-operator*. That's how you got information, and at that time we could actually break news, what was happening in the industry. We were pretty much—other than radio, which has never been particularly strong, particularly since the demise of the CBC news broadcasts—you pretty much had to get your information from the *Co-operator*.

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That's no longer the case. As you know, we're publishing digitally online so we can get the latest news out there electronically, as can the generators of the news. The government and the grain companies and whoever else is involved in the industry, they're putting out their own press releases, so the news is coming out that way. So, I think that unless we have a really big scoop, you're not going to see industry news, for instance, on the front page of the *Co-operator* like you used to.

We're competing for eyeballs, so we're paying more attention to the visuals, to the photography, and to maybe the stories from around the province that nobody else is doing. So, you probably still see within the paper about-- Well, they won't be about the same level of coverage on the grain industry anymore for sure because a lot of it used to be fighting over the Wheat Board, [laughs] and for better or for worse, we don't have the Wheat Board to fight about anymore. The Crow is gone, the Wheat Board's gone, [laughs] and there's a lot less politics than there used to be. That's probably starting to ramp up a bit though over the last few months, given the problems with the railways and so on. But, yeah, your perception, to some extent content is part of it, but part of it's the way we present it.

NP: Even the last few issues that I've had a chance to look at, a lot more emphasis on the livestock industry. I used to sort of wait for the end of the newspaper to get to that part, with the occasional more widely read ones getting closer to the front. Not so much even the articles that people would sort of probably run to the newspaper to find out who said what about the Wheat Board, but even just information about crops, international markets, things such as that don't seem to be there any longer. Again, I can't find it as readily as I used to, so my perception may be incorrect.

JM: Yeah, I don't know. On international markets, you may be partly right. Again, for instance, we have always tended to carry a lot of Reuters in the *Co-operator*, and the *Producer* pretty much is the same, I think. Again, there the Reuters is available on our websites, so that tends to be kind of news that will often get a little more stale too. So, it's out on the websites first, and we have our daily email newsletter that goes out to, in our case, about 15 000 recipients. To some extent some of that market-related international news that you used to see in print has been out there already. So, there's a little bit of that, I think, at play.

We're probably spending a bit more time on the production side of crops. That's partly a reflection on what people are interested in maybe, and there's less politics. I'll be honest about that too, is that's where we're making our money is from the people who are selling stuff to farmers to grow those crops. So, that's part of our obligation to the advertisers in delivering that message. That's certainly shilling for them, but we're very much about how to use those products. I don't apologize for that. So, you're going to see more of that.

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The livestock side, if it's in the *Co-operator*, I think progressively over the years I think we've decided that we need to spend a bit more time there because there's still probably 35, 40 percent of our readers have cattle. They may not have a lot of cattle, but we've been very conscious about appealing to making sure that we've got people around the province—particularly in the western area where there's more livestock. So, we want to make sure we're serving those readers. Cattle business, to me, it's quite interesting now because if you come out with the latest new crop variety or the latest equipment or fertilizer technique, whatever, realistically the latest new thing in the grain business is going to give you one or two or three percent yield increase. Some of these cattle guys now, that was a pretty mature industry for a long time. It's still kind of a mature, and in many ways part of it is very small C conservative industry, but the point is that there's a lot of acres out there who've just had cattle turned on them willy-nilly for a number of years.

Now, you're finding people who are getting much more involved in intensive grazing, cross-fencing, people with an environmental ethic that they're keeping the cattle out of the streams and the dugouts. Those are situations where with a relatively low amount of input, a lot of just management, you're talking about huge increases in productivity on those acres. Things like swath grazing and some of the low-cost techniques that have emerged from the crisis with BSE and having to learn how to produce those cattle a lot more cheaply. So, as far as bang for your buck and writing about people doing interesting things, that's kind of an interesting part of the industry, at least for me these days. You may see that reflected in the content.

NP: And, certainly, it's easy to see that at the time that I began reading the newspapers that we're speaking about, things were very highly politically charged, and the space given to it is not required once the situation has changed. Has there been any change in access to information related to the grain industry as a result of less farmer-based involvement?

JM: Yep. Absolutely. The thing was—and we talked about that—the decline in the Pools has been absolutely disastrous for the engagement of farmers in the industry. This was the thing about being a farm journalist. If you wanted to learn to be a farm journalist, learn about the industry. If you went to a Manitoba Pool meeting here in town-- A Manitoba Pool meeting, by the way, was completely open. It was never any closed sessions, in contrast to the Sask Pool, which went for two weeks but it had some hidden camera—but anyway, you could sit there for your week and your two weeks, you had everybody in the industry would be there. The Wheat Board would speak, the Grain Commission would speak, government people would speak.

The people like me who were management within the Pool, we had to get up and sit there in front of the delegates and answer to them. You had that whole democratic process that elected those delegates from around the province. Those people tended to be pretty involved. So, that level of engagement and the ability of the actual farm representatives to talk to the people who were marketing their grain, grading their grain, handling their grain, the politicians—it's just gone. So, the notion that there's somehow more information out there just because it's potentially available on the web, for instance, well it's just not there. That's what we're finding as a result of the end of the Board.

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Then as very much a part of discussions now, this whole transportation problem and marketing problem, is that they've kind of—for good or rightly or wrongly—taken the Wheat Board out of the picture and put in an open market structure. But the underpinnings of the structure that, for instance, like you have in the United States, where you've got very extensive price reporting by the USDA both at the farm level, the export level, you can find out how many vessels are waiting at Portland, how many vessels are waiting at the Gulf, what the actual export quotes are. Those numbers are being collected by the USDA. In Canada, it's just not there. We're working from a totally unbalanced situation with the railways, and the railways have the power and to some extent the information. The grain companies have the information, and the farmer doesn't have it.

NP: Now, I think this is probably part of the discussion early on. Since I talked to you, I have been speaking to people on the Prairies who were part of the Pool system—very, very strong supporters of it. Even there, it was interesting to talk to these fellows who were sort of second-generation Pool people. Their fathers normally, not their mothers, their fathers pushed to have it come about. They grew up being told by their fathers why the Pool was important and now they have children as well. The third generation, they said there just wasn't that sense of commitment. The comment was made by a couple of people that they have

other things to spend their life on and to them it wasn't a big issue that they didn't have a voice that way. What do you say to that thinking?

JM: Well, that's the way it's evolved. I think it's now becoming—and I'm not necessarily saying the Board--. You'd probably have to separate the Board issue from the Pool issue to a large extent. Maybe we talked about this before, I can't remember. I mean, it's interesting that the--. I just recently got an update from an old publication about the state of cooperation in the agricultural sector from the USDA. Again, it's just a contrast to what happens in Canada. USDA has a whole cooperative development division, department—I forget what they call it—putting out publications, listing the top co-ops in the US. These are still very big businesses. The interesting thing about the co-ops in the US—and it's still very, very strong—but they have in the US a lot more elevators to store their product, both in number and capacity, and a large proportion are still local co-ops.

That's how Manitoba Pool started was with local associations. So, they joined the line, but as individual co-ops. The other two provinces didn't do that. But even then, in the other two provinces, I think they still had that connection to their local facility. I don't know how sustainable that system was without the connection to the facility. Well, yeah, I do know how sustainable it was. [Laughs] It just didn't work. In the US, having that different model, it's kind of carried on. Could it have kept going? Could that whole process of having--. Without that connection to the elevators, it was just not possible. You ask me was it better before? Yeah, it was better before. Could that have been maintained? I guess not because there's really nothing to tie anyone to their local community, to their facility.

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NP: Finishing off the discussion about--. Is the freedom from responsibility of having to run your own organization—because farmers, when they belonged to the co-ops, they, in many instances, a lot of them spent time making sure they had a voice—is the freedom from having that responsibility sort of balanced off by not having the control? Or in your mind--.

JM: If I can give you another example. I know, for instance, that the Manitoba Canola Growers Association here, they've been really trying to get younger farmers involved as directors. They're having a great deal of difficulty doing it. They're currently—I should look at the current lineup—but the president now, still, is an old Pool guy. He's an old Pool delegate. They'll have an annual meeting, and they'll sort of have a production related session to go along with it on how to adjust your combine or something, and the young guys will show up for that, but they won't show up for the annual meeting and get involved in the policy process. So, that's kind of the fallout. So, if you look at what's happened over the past winter—and I guess as you're really continuing with these transportation problems—all of a sudden, I think some of these guys are realizing they've got a problem. But the mechanism to do something about it is just not there anymore.

NP: Yeah. Interested in knowing more about the problem that they have. I don't know if I mentioned earlier on tape or if we were talking about it, but seeing eight ships sitting at anchor in the Thunder Bay harbour is virtually unheard of in my 10 years of watching. Some people think it was wonderful because they were quite attractive looking things. [Laughs] I'm thinking, "Who's paying?"

JM: "Who's paying the demurrage?"

NP: Anyway, who has felt the pain of that most at this point?

JM: Well, that's an interesting question. Of course, that's, I think, to a large extent a separate question from when we were talking about it. I guess there's a conference going to be on here in the next couple of days which Lisa's attending. But the whole logistical problem. That was, again, for better or for worse, when you took the Board out of the equation it was a certain amount of coordination function and that's not there anymore. So, you've now got these companies all negotiating individually with the railways. I'm really not close enough to the industry anymore to tell you who's right or wrong on that whole situation, whether the railways didn't supply enough or whether the companies over-ordered or what. So, I expect it, like anything else, is somewhere in between, but I think that specific problem is one where there's just no cop anymore. Related to that, and I think where this—sort of stepping back into the whole history of the situation—I don't think it was appreciated.

Again, because of the politics in the Board and because the Board was bad because it was a monopoly and bad because it was socialist or whatever you want—or too much control—I think what wasn't realized was that we have the most efficient system in the world as measured by turnover. Many Americans are only turning their system-- I don't know. What they turn it now, I'd have to look at the numbers, but not very much. They have all that commercial storage that they can dump their grain into and let it sit—and mostly built courtesy of Uncle Sam, because of those huge subsidies they got in the '70s and '80s to build those facilities. You've got the Europeans kind of a similar situation, and the Australians who can pretty much put a whole crop in storage commercially.

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In contrast, in Canada—again we can do it because we've got the cold weather to keep the bugs out when we're storing stuff over the winter—but we've got the system which now turns five, six, seven times. So, did we get that system in spite of the Wheat Board or because of the Wheat Board? Take your pick. But clearly, I don't think people realized just how efficient the system was. As long as you've got the cop in the middle kind of regulating it to make sure that it's in reasonable balance it worked pretty well.

But when you took that function out of there it began to break down. That's the big policy issue now is whether you need a Board or, again, back in the '80s the Board politically lost some of that function to the Grain Transportation Agency [GTA] which took it over and worked with, for instance, your car coordinators in Thunder Bay in those days. When those systems were put in place, there were incredible increases in efficiency. But again, maybe I'm getting off-topic. But that's kind of what the issue there is. Separate from the marketing issue is the coordinating function is just apparently not there.

NP: I guess to go back where this discussion started, my question was "Who's feeling the pain with the breakdown?" I was very vague about it, but there was a connection to my previous question about the farmers and whether it really mattered to them because they now had the freedom to go to the kid's hockey game instead of going to the Pool meeting. Is it fair to say, for example, that this time around the grain companies are paying for it? Does it ever get so bad that the farmers need to worry about it? Or it's a company issue?

JM: I don't know. If you look now, if you look at the basis—the difference between the export and the inland price—I mean it's absolutely huge. There are some who are claiming that the companies are taking the biggest chunk of that and taking advantage of that. I don't see their numbers, I don't know. I also know that having ships wait at anchor and contract penalties, penalties for non-delivery are pretty expensive. So, I know there's been a lot of suffering there. The other thing that is apparently at play is from what I'm seeing is that Canadian wheat is being priced at ridiculous discounts to the competition.

NP: Tell me more about that.

JM: So, what the theoretical basis is maybe not as high as the farmers perceive. Well, right now, or at least in--. I shouldn't say right now. I haven't checked in the last couple of weeks. In October, CWRS was being quoted at \$60 a tonne under DNS 14 out of Portland. We had a recent tender—I'd have to check back on my numbers—we've got Canadian wheat's being delivered to clients, to some clients at least some cases, at significantly lower prices than Russian wheat. There are, right now, just huge discounts.

NP: What's the speculation for why that is?

JM: I don't know. I know for instance if you look at, again, going back to the politics of the old days, people used to look at the published prices off the US West Coast and they would just assume that if the Wheat Board wasn't getting that for every kernel of wheat that it sold that it was somehow screwing up. The reality is that that published price for DNS off the West Coast, that's a Japanese price.

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NP: Per DS?

JM: DNS, sorry. Dark Northern Spring, so the US wheat equivalent for spring wheat. The Japanese always paid more than everybody else for a number of reasons, partly because the Board monopoly was in place, but partly because politically they decide to allocate their purchases from various countries, and partly because they like the quality. So, I think, typically in the Board days, I think it's fair to say it was probably getting a \$20 a tonne premium over the US. But was it selling to everybody at the posted price? No, it wasn't. Is all wheat now being traded at that posted DNS price out of Portland? No, it's not, but should Canadian wheat be priced lower? Why it would be offered at so much lower, I have no idea.

NP: Has anyone asked the question? Who's left to ask the question? [Laughs]

JM: No. I wrote an editorial on it a few weeks ago, but no. Again, I don't hear anyone asking the question. That's where I think we've got—again, we're getting back to what we were talking about earlier—as far as the political process, small P, out of these farmers and their organization interacting with the marketplace or the policy environment. I don't hear them asking those questions, and I think that's a bit of a problem.

NP: National Farmers Union not asking?

JM: Well, I haven't heard them asking. I'm thinking specifically of the wheat commissions that have emerged in the three Prairie provinces. My concern there, like I've always said half jokingly to farmers—but not completely jokingly—is that these guys they're really interested in yield. That's, ultimately, that's how they measure success, but farmers are sometimes a little too interested in yield and not enough in income. I think that's a danger now is that these provincial wheat commissions--. Again, this gets back into some of the old politics about whether we should be selling high-yielding wheats or high-quality wheats. It was always said that the Wheat Board was suppressing the marketing of high-yielding wheats because farmers like to grow high-yielding wheats. These guys, again—well, it's not all guys anymore I suppose—but again, there's been this fixation on that part of it and allowing farmers to grow more stuff, but the pricing side and some of these other marketing issues like, again, getting a structure in place similar to the US where there's some information flowing, I haven't heard that coming from them.

NP: Here's a couple of thoughts that come to my mind and I'm interested in your feedback on them. Most directly related to what you said, how much of the CWB marketing system remained in place either with the much-reduced CWB or remained available or was picked up by the companies who came in to fill the void, internationally?

JM: Well, I would think most of it. I don't know. Again, I don't see anybody's numbers anymore. So, how much the new CWB was buying as opposed to any of the other companies? I can't imagine that it was very much. They're now, I think, up to four or five elevators, some of which are still under construction, but the amount--. Again, we talk about information. In the Board days, the annual report came out and they practically list how much, at the end of the year, how much was spent on pens and pencils. Now, we can't even get it. The Wheat Board's annual report has been tabled and we don't have access to it. We don't know how much grain they have because they've kept that all under wraps. But still, I would think that it'd be a very small percentage has been handled by the CWB to this point.

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NP: No, it's more a question of--. Like I'm trying to make some sense out of why you would sell high-quality grain—which was always Canada's salvation, actually, because of increased input costs including transportation that you had to be able to command a premium—to be selling under equal or less desirable product is a question. So, I have the question, is it because the marketing system is such that it is so much less effective now? And potentially just in the short term--.

JM: Well, under an open market you have to sell to everybody at the same price. The Board didn't do that. It practiced differential pricing. If it could get a premium, it did. So, the Japanese and the UK and to some extent other customers would pay that because if they—again for a variety of reasons—but if they wanted the good stuff, and we do have the good stuff, then the Board would extract that premium. By the same token, if the Board had lower quality stuff to get rid of, or the same product to customers who couldn't or wouldn't pay it, well, then they sold it at a lower price. But under the current system, basic open market, you have to sell to everybody at the same price. So, the incentive to differentiate that quality is just not going to be there to the same extent. These companies, if they can capture quality premium they will, but remember most of their money is made on handle not necessarily on product differentiation. And if you're loading a 70,000-tonne Panamax vessel, you don't want to be promising too much because if they come back at you, [laughs] it's going to cost you a pile of money. So, the incentive to go that last mile is not going to be there at the same extent.

NP: What would you say to a comment that the reason those questions aren't being asked is that nobody wants to know what isn't working, because it was supposed to work so much better?

JM: There could be some of that. I don't think there's necessarily a lot of it. I think that what I've said is that there are some out there--. I think they're starting to realize they need to put some of these other structures in place. But yeah, I think there's some hesitancy to open yourself up for criticism from the I-told-you-so people. [Laughing] Probably with some justification. I think it would be unfortunate if that does happen. Certainly, we've—those of us who rightly or wrongly support the Board [laughs]--. And

in my later time, I wasn't so much editorial as saying, "You should keep the Board. Here's what's going to happen." But again, that doesn't mean that I would want to run around saying "I told you so" because that's pointless. We have to deal with it. So, I think that's some of it.

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The other is that the government does not seem to want to act on this, and people are very—the farm organizations in particular—are somewhat reluctant to be criticizing the minister on this. They owe him a lot too, you know, the ones who wanted to see the changes to the Board. So, I don't think they're going to turn around and be particularly critical at this point.

NP: One person that we interviewed who was—I don't know if I interviewed him before I talked to you the first time or not, or afterwards—he was very involved in the changeover from the Crow Rate, which I, rightly or wrongly, think of as sort of the previous big change and contentious issue, then we moved into the more current issues. What was a disappointment to him was that there was so much effort put into making that change as acceptable to as many people as possible that it took several years to actually ferret out who was going to be affected, what the effect would be, who would be the winners, who would be the losers? Still, there was a commitment to doing it, but they tried to mitigate the implications, especially the ones that were harmful. He said he had been asked to be involved in the transition team for moving away from the single desk. I believe it could be wrong that there was an extremely limited number of meetings and not much else over a very, very short period of time. That have any implications, as you see it?

JM: I don't know. I'm not sure what you mean if you're comparing it--. Also, just if you're looking at the Crow, as far as the reaction to that, in both cases the government just were incredibly lucky. In the case of the Crow, the Liberal Government happened to be just at a relatively short time when there was a price spike and people didn't notice it that much, although there was some fallout afterwards. But I think that the government got away with it partly for that reason, but also, I think people were just glad that they didn't have to fight over it anymore.

NP: Plus, they had compensation, did they not?

JM: They had some compensation, although it wasn't a lot of money in the grand scheme of things. But I think they were happy not to have to fight anymore. I think you've got the same case now with the Board. It was just so disruptive, even within communities and families, so I think a lot of people are breathing a sigh of relief.

NP: So, better or longer-term planning wouldn't have mitigated some of the circumstance we're looking at now?

JM: Yeah, it would've. I think probably in retrospect I think people would say that maybe there should have been a grain transportation authority type of mechanism, some kind of central coordinating mechanism put in place to be the cop, to put some control, and to put some of these other structures I talked about in place—price reporting—so that the information flow was a little more even, so the companies and railways weren't totally in the driver's seat. I think that would've been helpful.

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On one hand, fortunately, there was not a particularly large--. The 2012 crop was a good crop, but not huge, and high quality. There were no particular problems with the railways at least initially, but then the following year kind of all hell broke loose for various reasons. So, it was kind of a telegraph punch on that one. Who knows? In retrospect, that would've been the way to do it.

NP: But as someone else said, who was familiar with the CWB at the time—where sort of battle royal at the Board level—to even have any kind of decent conversation about easing into something was not possible with the--.

JM: Probably not possible, yeah. The directors of the Board, the old Board, some of them were so confrontational, extreme on both sides of it. So, I think it just kind of became dysfunctional.

NP: What happened to our old Canadian ethics of cooperation and “Let's get through this together”? [Laughs]

JM: Yeah, well, that was interesting. Going to that elected-board system--. I don't think one could realistically have expected to last anyway, but it's interesting that the elected-board system, if anything, hastened the decline, I think, because the relationship between the directors and the government just became so toxic. Maybe that was inevitable. This government was just going to do this one way or another. Yeah, I don't know.

NP: One other issue on the logistics side, and it goes back to the ships in the harbour, one of the other groups that I interviewed were representatives from the Canadian Ports Clearance Association, which disappeared at almost on the same day, [laughs] I think, as the Wheat Board. So, out of Thunder Bay anyway, I wonder—and I'm interested in your comments—the ships used to come in because a lot of product that was sitting there was Wheat Board grain. It could go to one elevator and take as much as they had of something, move to the next, and stop at several elevators before leaving. With no Wheat Board grain, that's no longer possible.

JM: I'm not sure what happens, but it's all got to be one terminal unless they do some swapping amongst each other, which I suspect doesn't happen that readily. That's going to be inevitable, and I'm sure that's part of what's happening at Vancouver. The

other question I have, without really knowing much, is how much more Prince Rupert could be used because the--. When I was at the Board, I was very actively involved in promoting Prince Rupert as an option because Vancouver was congested even back in those days so needed the option. But I don't think the companies appear to be particularly keen on using it. It's a 30-year-old terminal now, but it was state of the art when it was built. I think it's a pretty efficient operation.

NP: And you still need the rolling stock to service it.

JM: Yeah, the competition though for space—and again I'm not as directly involved as I used to be—but as far as capacity on that CN [Canadian National Railway] line north, it was not nearly as congested as the lines further south. So, that was a factor.

[0:50:12]

NP: So, we haven't talked about the Canadian Grain Commission [CGC]. Any changes that you've seen, noticed, over--? Because there have been changes there.

JM: Well, there have been huge staff changes. I know the one that's come up recently, there's a question—and again I'm not close enough to the industry anymore to tell you how significant it is—I know that just as far as there's been some customer complaints about consistency on the cargos, because before they would have to take samples from, I can't remember the numbers, but much more frequent samples than they do now. So, there's been some concerns about that.

NP: Is that information readily available? Is the Grain Commission still pretty open in their communications?

JM: Yeah, I think so. We've written about that. We've had a story on that particular thing just done the last couple of weeks. But again, whether that's just one customer with an unreasonable complaint or whether this is endemic. Just anecdotally, I know that, for instance, with the Grains Institute, they're often having overseas people coming in, they tend to let us know, then we send reporters over. This does seem to be a consistent complaint is that they're not getting what they used to, or they're afraid that they're not going to get what they used to. We are hearing those things.

NP: Is there any attempt on the part of non-government, non-business interests looking at monitoring what's happening and--?

JM: No, I haven't heard any. Well, unless it comes forward from the farm organizations, but again--.

NP: University institutes associated with grain? Saskatchewan?

JM: Richard Gray from the University of Saskatchewan was in town a few weeks ago delivering the Daryl Kraft Lecture, and he certainly raised some of these issues. Richard would be a good guy to talk to if you get the opportunity.

NP: How is the last name spelled?

JM: Gray with an A. We had a story on it. I'll send it to you.

NP: Okay, great!

JM: Richard would be a good guy to--.

NP: We'll have to get on to the electronic--.

JM: Richard is one who's taking--. He's looking at that basis. He's looking at that DNS price and the street price in western Canada, and he's accusing the companies of taking most of it, I think. Whether he's right, I don't know. But anyway, he'd give you some perspective of that.

NP: Who knows? They might need it for demurrage. [Laughs]

JM: Well, yeah. As I say, demurrage and contract penalties, I know last year, for instance, with Paterson I think had to bring finish oats all the way to Minneapolis up the river because they couldn't deliver on a contract. That stuff costs money. The other thing too is—and maybe you've talked to some of the smaller companies, although I don't know how they'd be forthcoming with it—but if you're a Paterson or P&H [Parrish & Heimbecker], which are great family companies, but in the grand scheme of things not that big, nor is the new CWB or some of these others. You're up against Viterra, you're up against Glencore. This is a \$200 billion a year company. This is tough competition. I mean these guys are bigger than Cargill by a huge margin. But as I was saying, again, I don't see the numbers. I don't know, but I know that this has got to be a pretty risky business, particularly when you're up against the level of competition now like Glencore, Cargill, ADM [Archer-Daniels-Midland]. ADM now is just, by the way, fully consolidated itself as a trading company. Previously owned Toepfer, which was sort of a co-op back in the old days. I think Toepfer is even no more. It's just plain old ADM. So, you're up against some pretty tough competition these days. And so much of this business is offshore origins, so if you're Glencore or Cargill, you can offer Australian. You can offer Kazakh wheat. You can offer Ukrainian wheat. You can offer Russian wheat.

[0:55:43]

NP: None of this unanticipated?

JM: No.

NP: Speaking of competition, I was reading recently about Canadian-- Well, I guess they just call themselves CWB now, thinking that they're going to be able to go up for sale and that there was a bid—or some interest, I don't know if it got as far as a bid—from the Farmers of North America, which was what? What were the Farmers of North America?

JM: Well, that's kind of an interesting question. [Laughing] Not sure the answer, and I don't think there was ever really an offer. I think they were just kind of saying, "Well, hold on a bit until we can make an offer."

NP: But who were they? Anybody know? Who are they?

JM: That's an interesting question. Their model, it's kind of to be a Costco for farmers, particularly on the input side, so that if you join, you can participate in bulk-buying and therefore discounts. That was their original model.

NP: But not in decision making?

JM: No. No. To some extent, they are kind of talking a bit like a co-op, but they're not a co-op. There's no true membership. There's no involvement in any kind of policy process or electing directors or anything like that. So, it's a private company.

NP: Sort of like being a renter instead of a condo owner?

JM: Yeah. Whether they were able to raise the kind of cash that would be needed? I have no idea. The Board is making it pretty clear—I shouldn't call it the Board—CWB Ltd. seems to be making it fairly clear that it's up for sale. The question I would have is I suppose there might be some sentiment that it should be Canadian ownership, but I'm not sure why. I would think that a company like that needs a distribution network. So, to me, I can see them somehow getting arranged with a US co-op or maybe even Chinese buyers or South Asian buyers who are looking for a steady supply of product and perhaps some control over the quality process.

NP: Lots of questions related to that. They have purchased terminal facilities. Are they still a little on the shy side as far as a network of supply?

JM: I don't have the numbers in my head. They've made arrangements with—purchased—what, three terminals?

NP: Inland?

LG: I don't know off the top of my head.

JM: Yeah, they've made those arrangements with existing inland terminals, and then they're building, I think, they've announced another three elevators. So, they could be, I don't know, five or six or seven facilities out of 260. That gives you some idea of how much influence they would have in the marketplace.

NP: Are they still sort of the go-to organization for producer cars?

[1:00:04]

JM: That's been one thing that hasn't panned out. It was generally assumed—and I assumed—that producer cars would fizzle out, and they haven't. So, that's interesting. I think the Board is involved in that, but I'm not sure what the percentage is. Getting back to the inland terminal situation, there's some irony there is that a lot of these terminals were built with local investment typically from people who did not feel warmly towards the old Wheat Board monopoly. It did turn out that the old Board was the best friend that they have because it gave them automatic market for their grain. It gave them terminal access because of the Board having control over the marketplace, and it gave them a banker because the Board could just finance all the deliveries of its own grain into those facilities. Most of them have not been able to survive that transition. So, either the CWB or other companies have picked them up. That's been an interesting fallout to the changes.

NP: The sale of CWB, I'm sure there's many scenarios—some that you've mentioned—that weren't even on my radar. Two scenarios interested in you commenting on. One, purchased by an existing operator in the Canadian marketplace and just absorbed. Purchased by another global entity and running in competition with other players currently operating.

JM: Well, if it just becomes part of another company then I don't know what purpose has been served other than building extra elevators. What I don't know is to what extent the pooling option is going to be attractive to farmers. I don't know how much the Board is buying pooled now or cash, and presume if they ever release the annual report, they would tell us that. I suspect we're never going to see those numbers. I would think that what the Board could offer relative to the other companies would be—particularly if it does own some facilities—that number one it offers pooling, which may be attractive to some farmers as a

marketing option, and the other thing to a customer it might offer some quality assurance and protection that it might not otherwise be able to get if it hooks up with an end-use buyer somewhere. I think that's a business model that might work. But if it were that current elevators would just be absorbed by another existing company? I don't see what the point would be.

NP: Eliminating competition?

JM: Eliminating competition, and then there may be some severance pay for the staff. I don't know.

NP: Would the government step in, do you think, as they had in situations where they were a little worried about concentration with the--?

JM: I would presume the government feels there's some political obligation to maintain the Board or the CWB as a separate entity of some kind. Yeah. But just being absorbed I wouldn't think would make much sense.

NP: Now, the—again, correct me if I'm wrong—optimistic prediction was that dual marketing could exist. The pessimistic view was no, it couldn't.

[1:04:53]

JM: Well, I guess to the extent that the CWB is still there, you could say dual marketing, but I guess it becomes a question of extent. If CWB, through pools, is only handling five percent of the grain, I don't know that that would constitute dual marketing. I think the dual marketing argument was based on the assumption that they probably wouldn't make much difference, that the Board would continue to be there and handle 90 percent of the grain, and the rest would just become a safety valve. I think that was the basis for that assumption. Clearly that didn't happen.

NP: Could be why they aren't releasing their figures?

JM: Well, there's two perspectives on that. One is I guess a small or largely political perspective whether that's kind of an obligation given the history of the Board and some of the things the government said about how it would change. On the other hand, take a pure business perspective and that thing's up for sale. Why would you show your hand at this point to the whole world when you want to get in a negotiating position with a buyer? From a business perspective selling an organization, it probably makes perfect sense. From an information perspective, if the Board were to release its annual report, we would know a lot more about these questions about how much margin there was in the last crop year.

NP: Is there any requirement for them to do so?

JM: Apparently not. [Laughs] We would know if the Board was making bags of money just along with everybody else. It would be great to see those numbers, but.

NP: Now, I've run out of my questions. Are there questions I should have asked you?

JM: I don't think so. I think you kind of covered the waterfront.

NP: Lisa? From your perspective, anything you want to--?

LG: No. [Laughs]

NP: From Saskatchewan, which is where you're set up, would you say it's pretty much the same issues?

LG: Yeah, I mean this is kind of the stuff farmers are talking about—transportation, grading—which sort of ties into what you were talking about. Yeah.

NP: Well, thank you very much. It's been an excellent update. We're still in the iffy period. I have a bet with somebody about what changes whether they'd be benefit or non-benefit the Thunder Bay port. It's done very well this year. It's shipped more than it has in 15, 17 years—and that's year two, so we've got three more years of various crops and conditions. I said if I lost \$5—because I bet it would have negative implications—if I lost \$5 it would be well worth it because whatever helps us out is good.

JM: Whether it's long term, better, just because the companies couldn't get through the West Coast, but still.

NP: Yeah, fine. Thanks so much. Good to touch base.

JM: Thank you. Good to see you again!

End of interview.