

**Narrator:** Brian Oleson (BO)

**Company Affiliations:** Canadian Wheat Board (CWB), University of Manitoba, Government of Canada—Department of Agriculture

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**Interviewer:** Nancy Perozzo (NP)

**Recorder:** Nancy Perozzo (NP)

**Transcriber:** Sarah Lorenowich (SL)

**Summary:** In his second interview, former executive director of planning for the Canadian Wheat Board Brian Oleson continues to survey his career in the grain industry. He shares more details about his trip to Africa as a grain analyst, detailing what meetings were like, the results of the trip, and what Canada’s reputation on the continent was. He also describes working with CIDA on determining food aid and commercial enterprise in these countries. He shares three connected stories about fluctuating grain prices, including an open grain contract in Zambia, the Great Russian Grain Robbery, and the rise of ethanol. Oleson discusses his brief time as a policy analyst in the Department of Agriculture and some of the major policy changes happening at the time before he returned to the CWB. Other topics discussed include Canada’s main global markets, grain pooling and price pooling, changes to CWB’s pooling points due to rising transportation costs, GATT negotiations, lessening farmer support for the CWB, the demise of the Prairie Pools, and predictions for the future of the CWB, Canadian farmers, and the port of Thunder Bay.

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Time, Speaker, Narrative

NP: And say that it is November 28<sup>th</sup>, 2013. This interview is taking place at the Faculty of Agriculture at the University of Manitoba, and it's the second interview with Brian Oleson. So we'll get right into it. Just to wrap up the last interview, I was listening to it, and I came across some areas where I thought, "Oh, I didn't follow up there, and I should." And one was you had mentioned your first big trip when you went with the Canadian Wheat Board [CWB], and you mentioned the places that you went, just almost an atlas in itself. But you know, we never did talk about what was the result of that trip both in--. That would have been your first major international trip, I guess, certainly on Wheat Board business. What impressed you, depressed you, about the various countries? Now, you did talk about some countries were sort of bread based where others were couscous and so on, but nothing of negotiations with people or who you met or tales of interesting things that happened.

BO: Yeah.

NP: So maybe you could expand upon that a bit, and then we can move on.

BO: Yeah, yeah. No, that was the mother of all trips, and one asked what you do as an encore after that. That particular trip influences me a lot in terms of the rest of my life because, number one, I'd never have another trip like that again because—in following up the earlier discussion then—we spent a week in England getting visas because that was the easiest way to get visas.

NP: Right.

BO: And then we basically started off in Libya. And I'll just run through those countries again, in terms of Libya to Tunisia to Algeria to Morocco to Senegal to Cote d'Ivoire—Ivory Coast—to Ghana to Nigeria to South Africa to Mozambique to Zambia to Tanzania, Kenya, Ethiopia, and then ended up in the Sudan, and came back from there.

NP: Now, was this the first--? What was Canada's presence in any of those countries? Was this sort of the first foray to market Canadian product into those countries?

BO: No, it wasn't. There actually was an individual—likely a few individuals—but one of the key individuals was a fellow who is still alive, Alec Kubicek. Alec, a guy name Alf Presber, they were the market development individuals in the '60s, and they certainly had been to a lot of places in terms of cursory market development. Africa is really divided into—and people still refer to it in that fashion—in terms of North Africa and then Africa South Sahara. And so, North Africa, even then, was a more interesting commercial market for Canada because of their interest in durum wheat and because of the freight advantage that we would have over some of the other exporters—particularly Australia, to some degree the United States—that the ocean freight was a slight advantage in terms of Canadian--.

NP: When did Canada start trading with them?

BO: You know, I'm not sure when the first sales to Algeria were, but they likely were in the '60s, and certainly Algeria and Morocco were there as commercial buyers, Tunisia as well. But all of those countries also came out of Canada's CIDA [Canadian International Development Agency] program, because of the nature of Canada being French and English. Then Canada had a very, very large presence in Francophone countries, and therefore had a very, very big embassy presence, a big CIDA presence in many cases. And North Africa to some degree was maybe the easiest in Africa because of that common shared Francophone history. Then secondly, because of the CIDA connection, well, and I guess, thirdly, because of the freight advantage that we had from St. Lawrence shipping. Whereas the rest of Africa was much, much more--. They tended to be smaller markets. They tended to be non-commercial markets, and so the west--.

**[0:05:15]**

NP: What do you mean non-commercial markets?

BO: Well, they tended to be food aid programs. And the Australians on the east Coast of Africa had a major freight advantage, so we tended not to be a big participant into sales into East Africa. There was some commercial sales that we were making into both Ghana and Nigeria at the time. And so, those were interesting, and Ghana and Nigeria, of course, were both former British colonies, so they had adopted as part of their lifestyle a certain amount of bread eating of the type that the British liked, and that meant that they liked some fairly good Canadian wheat in the grist. So that was always interesting.

And at that time, then, Africa consisted generally of countries that, number one, had just emerged out of colonialism, and so they were independent countries but not very long.--in some cases, one year, in some cases, five years, in some cases, six years. And so, they were very interesting countries in that sense. There was a great hope in Africa at that time as you went through each country. And the other was that in terms of the milling industry--. And usually there was one big mill that was either a private mill or it was something that was within the government economic development side of things.

So in terms of a typical visit, we were allocating about three days a country. We'd get into the country, get settled, make our visit to the Canadian ambassador, and he or she would have set up visits for us in terms of the Minister of Agriculture likely and perhaps Minister of Economic Development or whatever it might be called. And then we'd go for a visit to the flour mill, which--.

NP: Which you said Alec was thrilled to see.

BO: Absolutely thrilled to see. Alec was the king of visiting flour mills. It's quite interesting because I was at a wedding reception on Friday night, and Alec's two grandchildren were there. And I was telling them the stories of me and Alec going around flour mills in Africa, and they were absolutely amazed and fascinated with this dimension that I'm sure they had a little bit of an inkling on, but they didn't have the, I think, full dimension of what sort of a world individual their grandfather was.

NP: This visit, was it intended just to establish contacts, or were you looking for--? [Telephone rings] **[Audio pauses]** Were you trying to sell something, or were you just establishing contacts?

BO: There was some trade going on, and it was all three. One was a small amount of contact with existing buyers, which certainly was the case with Algeria. The second was market development with countries where there was a good probability. And then the third was doing courtesy visits and basically laying the groundwork. In some cases, just myself as the new market analyst for Africa and the Middle East getting a view of the country even though we likely knew that we'd never be selling to that country simply because of the freight advantage that the Australians had.

NP: So here's a question, and I don't know if you're the person to answer it. Can you simulate a sales pitch? So I'm your potential customer. What's your sales pitch?

**[0:09:45]**

BO: Well, our sales pitch at the time was the quality of Canadian grain in terms of its great value, in terms of giving that type of British loaf that those countries were interested in. And then on the durum semolina side, then we were one of the big countries who had availability. We did know at that time that the Argentinians had a much better quality than we had, and so we were always a little careful on that in terms of the fact that we knew that there was a better product out there. But that was the beginning where within five years then we, by the end of the '70s, then we had the best durum in the international market. We had the beautiful yellow colour that the Americans had, and we had the basically al dente feel that the best Argentinian taganrog had. So we were in the process of actually becoming one of the best. And so, that was always one of the things that Canada had was this very high quality in both the bread wheat and the durum semolina side, and a very, very reliable shipping system that both Thunder Bay and Vancouver were basically the base of, and that we had an extremely reliable system that worked very well.

NP: Was that not the case for other countries?

BO: I'd say that, you know, Argentina was always a problem because Argentina would come in--. Because they used their port system for more than one crop, and so when they came in the market, then if they had a big crop, they would suddenly become a wild seller, and you'd almost blow away the market with the Argentinian at times, even then. And that's always been the case with the Argentinians. In terms of the Americans, then, yeah, the Americans were always a good, strong, reliable seller, more complex though because during that time, then, they had export subsidies, so you never knew exactly how this export subsidy system was going to work. They tended to follow the price of Canada at that time. That was sort of the end of that time period. But the wheat market was so developed around England, and so much of the English history was around Canada, that I think that we did have a pretty major reputation advantage in world markets.

NP: I'm just trying to get a sense of what it was like to be in that room. So, if you watch TV programs, and you have somebody go in to give a pitch, they stand up there with--. They come in, and they say, "Thanks for coming. We'd like to take a few minutes, go through our slides." So was it like that, or was it sit down and--?

BO: You know, it was a much more personal approach, and that was particularly true travelling with someone like Alec Kubicek or Frank Rowan that were extremely delightful personal individuals. They immediately made--. If it was a new customer or someone that they didn't know, they basically immediately made friends of them in terms of the way they approached them personally, and usually building on very close personal contacts of the people that came before them. For example, if there was a new individual in Algeria in the wheat buying agency there, then Alec or Frank would begin with the wonderful stories that they had about the last time they were there, and Alec and Frank, they would tend to know the names of the grandchildren. They were that type of individual. So both of those individuals I travelled with during that early period of time tended I'd say to have a very personal touch, and at the same time, technically provided all the information that you'd normally provide. It was a very, very much one-on-one.

NP: And then how would that be followed up? Like, at the end of the meeting you talk about the close of the sale. Did that need to happen?

**[0:14:31]**

BO: Well, usually in those situations, then, it tended to be more market development where you were laying the basis for sales, and a tremendous amount of the sales took place certainly by telex and then, in a lot of these cases, they were by tender. So you'd basically be trying to establish the basis so that you may very well win that next tender with Tunisia or Algeria or Morocco as they were going into the world market. And they may even--. Sometimes you'd see these tenders that are set up, and you'd see that really it was set up in a fashion that it would be difficult for Canada likely not to be the strongest bidder on it in the sense of the

way that they described the quality and the shipping terms and so on. And so, my role as market analyst was basically doing all the follow up, then. We'd immediately scurry back and have a five- or ten-page report on the trip that would then be circulated to everyone that had a relationship or had a concern in the Board, that were either directly on the sales side, the commissioner side, the finance side. And finance was always a big deal then because, certainly with some countries then, the Government of Canada offered a three-year credit that was very important in terms of the financing by some of the countries during that period of time.

NP: Now, I'm interested in the other countries that you went to that were the ones that were largely receiving aid. Was it aid tied to, "We'll give you this aid, but if you need to purchase equipment, we expect you to purchase Canadian equipment"? Was that the type of aid that was going on at that time?

BO: There was a lot more tied aid at that. A lot more tied aid. As people started developing approaches to economic assistance and so on, then tied terms certainly within the OECD [Organization for Economic Co-operation and Development] countries became more and more something that we recognized likely was not in the interest of the recipient country. But there always was an attempt at--. You know, the ambassadors and the commercial trade secretaries and so on, they're resident in those countries, and they always tried to use that as leverage to get more purchases from Canada, either directly or not directly. Now, there were times when the French, for example, they basically would have buy-two-get-one-free. And so, you had some very, very strongly tied terms that happened, and in those cases, you couldn't do very much.

The Americans in a place like South Korea, for example, at that time we couldn't even consider going into South Korea and selling wheat. It was just so tied up in terms of the economic terms of military support and so on in the post-Korea War situation that it really wasn't until likely the late '80s or early '90 when Hyundai became a big factor in Canada that South Koreans started developing an interest in buying Canadian grain.

NP: So what was in it for--. The Wheat Board was representing the farmer, trying to get the farmers' grain going. How did aid to those countries benefit the farmer, other than getting--.

BO: Oh! Tremendously, tremendously. Ten percent of our wheat sales from Canada were to the Canadian International Development Agency. The Canadian International Development Agency, if you put the top three high-paying customers who pretty well paid the top price at that time—whatever the grade and grain was—they would have been the United Kingdom, Japan, and CIDA. And CIDA just ranked right up there as one of our by far great customers. We would break our backs to try to accommodate CIDA's shipping schedules. And that was one of the things that CIDA, yes, paid a high price in terms of a top price for the program, but at the same time then, we basically went to just about every extreme to try to make sure that CIDA's shipping programs were looked after, and looked after extremely well. And CIDA sometimes, because of the nature of their customers,

would have programs where there was big surprises in terms of their own shipping schedules. Sometimes last-minute needs that we'd do everything as much as possible to try to immediately have that in the eastern ports for pick up tomorrow.

**[0:20:18]**

NP: So this is fascinating to me. I mean, by my questions, I've probably illustrated my ignorance. So here we have the Canadian Wheat Board representatives going over to countries that are getting or could get Canadian--.

BO: Food aid.

NP: Food aid. And so, you're building up a market for a food aid program. Did the food aid program want increased markets? What was in it for them, other than this tie-in?

BO: Oh, you know, that usually was done outside the Canadian Wheat Board in that sense. But usually, a typical profile of a country would be maybe 50 percent of their wheat needs were solved on the food aid side and 50 percent were commercial. So it was always nice to have a slice of that commercial besides just being the food aid donor. I think that was a pretty typical profile. You had places like Ghana that were fairly big commercial buyers of good quality wheat because they made a UK type of loaf, and yet they were struggling in terms of their economies, their new economies. Every bit of foreign currency support was off assistance because if you weren't buying it on wheat, that allowed you to be buying, perhaps, some of the industrial things that you might need for trying to develop a manufacturing base and so on.

NP: So CIDA, then, when you're doing one of these trade missions on the Wheat Board's behalf, do you have to clear things with them or discuss with them before you go into a country to build a market?

BO: Generally. Generally. Often, we'd be invited by the CIDA individuals. One of my more interesting trips was with pressure from the embassy in Zambia in 1972. I remember the dates very well. In 1972, then, they really wanted us to see if we couldn't get some Canadian wheat flowing commercially into Zambia and chew off a little bit of the commercial purchases that the Australians were participating in because they had a freight advantage. This was in the end of July, early August, then. Frank Rowan and I went to Zambia. No, pardon me. Not Frank Rowan. Charlie Gibbings, who was a commissioner, and I went to Zambia. And we ended up under pressure to try to develop a commercial purchase from the Zambians, which they were stringing us along, or it felt like they were stringing us along because they had a lot of aid coming from Canada. They wanted to keep the guys happy in terms of us providing that. And so, as things turned out, then, they insisted that they were going to buy from us. They had us go sit over at Livingstone Falls, which was a wonderful thing for me, for three days while they were going to ratify the agreement that we had

struck, and it would be ratified when we came back. So when we came back, they hadn't ratified it. We left the open contract with them, and people, I think, could criticize us for leaving an open contract where we basically had made the commitment at--. Oh, I forget what the price was. It was something like \$1.80 a bushel, and it was about 20 cents higher than the Australians. And it was so high, in fact, that we knew in our guts that it would never be ratified.

**[0:25:00]**

However, what happened that week? That week is the beginning of the Great Russian Grain Robbery, and one week later, two weeks later, prices started increasing, and by October, the price was \$2.40 a bushel, and lo and behold, the Zambians ratified our \$1.80 a bushel--. [Laughs] It wasn't for all that much. I forget what it was for. It might have been as high as 30,000 tonnes or 40,000 tonnes. So they ratified it, and we had this agreement. Our first really big commercial agreement with East Africa for, well, certainly during my time there. They got a good deal. They signed our agreement, and so we did some nice business there. There was business that ended up following up from that, you know, and some long stories with regards to our dealing with the Zambians. But it was--.

NP: I bet that wasn't done too often.

BO: No, no. [Laughing] No. I remember that one extremely well because during my lifetime—I was born in 1946—then the grain industry has had two big, gigantic waves in terms of price. One was the price wave—and the wonderful times in the grain industry in hindsight—between, say, 1972 and 1982. That was one wave. And then the second wave was the wave that is now ebbing a little bit, which I call the ethanol wave. So we had some great times in the '70s, and then farmers have had great times now. And--.

NP: So it's the third wave?

BO: No third wave coming.

NP: And that's another point that I wanted to follow up on in your last interview, and that was the Russian Grain Robbery. And I know I think Frank Rowan was the first person who had used that terminology, or I had read it somewhere. He said it really wasn't a robbery, that they did finally--. That no money was ever--. All wheat was paid for, but that wasn't even necessarily what it was. So could you tell us your take on, first of all, why it's called the Russian Grain Robbery, and what, from your perspective, actually happened?



BO: Oh, what happened was in the spring of 1972, the Russians had slipped into the market fairly significantly. Canada was taking a good share of those sales. I think there was some significant Argentinian ones and French, likely. And so, what we didn't know and what no one really knew was that the Russians, in the past, always ended up killing their livestock and tightening their belts when they had a crop problem. There was a crop problem that had developed in Russia, and they didn't follow the usual. And what they ended up doing--. And this is why it's called a robbery. It's a lovely robbery. It's where the robbers get the Brink's guards to help them load the bars into their cars. [Laughs] The bars of gold into their cars. It's beautifully executed.

So at that time, there was five--. This is my side of it. It's more or less correct. It may be a little captionized. But there was five big, gigantic grain firms, commercial grain firms in the United States, or in the world markets, and they were very big in the United States—Cargill, Continental, Bunge, Dreyfus, and Cook Grain. And the Americans had an export subsidy, and the Americans would approve the export subsidy for export. So just prior to August 1972, in May 1972, then Kissinger and President Nixon approved almost \$300 million in credit to the Soviet Union to buy American grain. So the Americans are, first of all, paying for the grain with subsidized credit. The Russians haven't bitten on this yet, but they've got \$300 million. The Americans also have an export subsidy that they have to approve to the grain companies. The grain companies were sniffing around that there may be a million tonnes of purchases from the Soviet Union, and a million tonnes is a fair amount. And they all wanted it. They all individually wanted that sale.

**[0:30:49]**

The head of [inaudible] set up interviews in the, I think, the Astoria or one of the great New York hotels and interviewed each one of the companies. Each one of those companies thought that they were going to perhaps get the million-tonne sale and be the one that was selected. The American government had given them all approval in terms of export subsidies. The Russians had the money because Kissinger and Nixon had provided them the money, and each one of those companies went out of the hotel thinking that they were going to perhaps get this million tonnes of business. And without anyone knowing what the Russians were doing, they suddenly said, "Yes, we'll take your million. Yes, we'll take your million. Yes, we'll take your million. Yes, we'll take your million." And suddenly where the grain companies thought that they were uniquely competing for a million tonnes—and my numbers aren't quite right, but they're more or less correct—suddenly the Russians had picked 5 million tonnes and had cleaned out the market. And not only that, they'd done it with the American export subsidies. So if the grain price was \$1.50, they were getting it for \$1, and the \$1 that they got was subsidized credit that was provided by the American government. And so, that's the Russian Grain Robbery. For farmers and for everyone else, I mean, this is the greatest thing that ever happened. Yes, we'd sold earlier, but then suddenly we start going into these high grain sales. Now, here's an anecdote that--.

NP: Now, just a second before you go on—but don't forget that you want to add that—so while this was happening to the American companies-- Well, two questions. First one is did the US government had no sense that they would be on the hook for five million?

BO: No sense. They didn't have the tracking system.

NP: And they also didn't know that all these subsidies were going to have to be paid out to that extent.

BO: No. They had no idea that the Russians were going to come in for that type of large number. And so, like everyone else--.

NP: Okay, so they had no bottom line to their subsidies to these export subsidies?

BO: They had no bottom line to the export subsidies.

NP: Okay. So what's happening in Canada in the meantime? What's Russia doing with the Canadian market?

BO: Well, the Canadians had had fairly big sales in likely the March, April, May period, so we were pretty strongly booked with the Russians already.

NP: And with that take up of that extra amount out of the States, the 5 million, and you said they just sort of picked up everything they could--.

BO: They basically cleaned up the market in terms of--.

NP: Yeah. Was there anything left in Canada--.

BO: Not a great deal.

NP: To take advantage of higher prices for wheat because of--.

BO: Well, there would be in the sense that August is the old crop, and so we had a new crop coming in. So we suddenly are selling new crop supplies coming in. So our sales would have been cleaned out pretty well in terms of the '71-'72 crop, but in terms of the '72-'73 crop, then we got great benefit. And here's the interesting little anecdote here that I want you to think about. Mr. Kissinger

and Mr. Nixon had provided this gigantic amount of finance in May, and it was a big deal. Now, along comes this great Russian deal and so on. What do you think Mr. Kissinger and Mr. Nixon were thinking about at that time?

**[0:35:09]**

Well, if you think back to that period of time, in June 1972, there was a small visit that a band of Republicans made over to a hotel called the Watergate Hotel, and so right in this very time, you suddenly have the genesis of the Watergate scandal starting. [Laughs] And that's sort of an interesting little anecdote. I doubt if Mr. Nixon was thinking about the grain trade. Besides that, those prices solved all their worries about farm programs because the prices basically took the American governments out of farm programs. In terms of just going right through the loan rates and target rates that existed at that time, then the American government, for a significant period of time, basically without the gigantic programs that they had, they were finished their export subsidies shortly after that. They were paying farmers not to produce grain. They didn't do that for another 10 to 15 years.

NP: So did they go out of it because they got so badly burned?

BO: No, no, no.

NP: No? Okay.

BO: Because prices were so high. If you've got farmers in--. In southern Manitoba here, the price of land in 1972 was \$100 an acre. In 1982, a friend of mine sold land for \$1,200 an acre. Can you imagine the price of land going up ten times? I mean, we think of the price of housing going up double over a ten-year period. That's a pretty big increase. Something going up ten times? That's like a house that was \$50,000 at the beginning of that period is \$500,000 at the end. It's beyond belief.

NP: Good. We need to move on because we have to get into the more recent history.

BO: Well, and the more recent history, by the way, that ties into that is that the ethanol was the Great Russian--.

NP: Oh, right. You mentioned the other--.

BO: The ethanol was the Great Russian Grain Robbery of the recent period. So we've seen land prices in the last seven years go double or triple in southern Manitoba. Not quite--.

NP: Now, for those people who would be listening to this tape beyond the time where they read about ethanol in the newspaper, say a little bit more about how ethanol had the same type of impact.

BO: Well, ethanol had exactly the same demand impact where we did not read or understand the phenomenal amount of grain that ethanol was going to take out of the market on a sustained basis in the same way that we didn't see the Russians doing that, where the Russians basically changed their policies from tightening their belts and not being in the grain market to suddenly meeting those needs through commercial exports in the world market. The ethanol side came exactly the same way. Perhaps we should have seen it easier coming in, but we didn't, and the ethanol market really ended up completely changing the whole future and price structure of the grain market.

NP: And still holding?

BO: And still holding. The grain market, remember--. Ethanol currently takes out about five billion of bushels of grain of corn from the United States—so we're talking about corn-based ethanol—and if you think of that, that's a lot more grain that Canada produces.

NP: When you think about your time in market development, where in the world was Canada most successful in creating a market and why? And where didn't they have success and why not?

BO: You know, during that period of time in the '70s, the Russians had emerged as significant buyers, the Chinese had emerged as significant buyers, and Canada actually participated in those two for a long, long time, really, until they both disappeared almost. And so, the Russians and Chinese were really big in the '70s and the '80s in terms of grain purchases, wheat purchases. The Chinese, for example, are not much on the wheat purchasing side now because what they did was they basically decided that on certain grains, they were going to produce them themselves, and on others like soybeans, they were going to let all hell break loose and buy whatever they needed. And so, the Chinese have gigantic import programs for soybeans now but are only relatively minor in wheat compared to how large they were during the '70s and '80s. And the Russians, of course, in terms of the Soviet Union as it existed then, has made the transition where most of those countries are part of the export programs for wheat.

**[0:40:53]**

NP: So China now would be mostly canola imports?

BO: Soybeans.

NP: Soybeans.

BO: Soybeans.

NP: Okay.

BO: Yeah. We've got some canola that we sell and some wheat, but they're not big numbers.

NP: Yeah. And where do we have--. Now, I guess a follow up question to that is, "All of the exporting countries at the time that China and Russia were not exporting countries all rose with the tide?"

BO: All rose with the tide. All rose with the tide. And there were a lot of other countries, in terms of what you might have called the middle-income developing countries, they ended up coming into the market in a fairly significant fashion. Brazil, for example, was a very, very important wheat buyer, and other countries were emerging, like Indonesia and the Philippines and Taiwan. So the middle-income countries were the second block of big growth in the grain industry during that period of time, in particular the wheat and feed grains. The first block was the centrally planned block, being primarily the Soviet Union and China, and then the second block was the middle-income developing countries.

NP: Least successful?

BO: Pardon me?

NP: Where you had sort of hopes for markets that never developed.

BO: You know, we participated pretty heavily in terms of all countries concerning that period of time. There were countries we had a hard time getting into, and just zero success, for example, in South Korea, which was an emerging middle-income country at that time. Marginal success in Taiwan. Primarily it was the countries where the Americans had a significant political and military advantage.

NP: Yeah. Understandable.

BO: Yeah. And understandably, they were also countries that we wanted a piece of because they had a certain connection to North American lifestyle types of things from the American presence there. Japan would fit into that case, but the Japanese were so

concerned about security of supply, that they really spread the supply around on a fairly shared basis between Australia, Canada, and the United States.

NP: Would those countries ever get caught in a situation where--. Like, last year, crop failure in the States. They sort of hitched their wagon to the US and the US couldn't deliver. Would that create any difficulties, or everybody was willing to fit in behind anyway?

BO: Well, the most famous of those was in the early '70s where the Americans were so afraid that they were going to not have enough soybeans for their current market that they put on a soybean embargo. And in doing that, the Japanese basically said, "Listen, what the heck is going on here? We're putting our faith in trade, and so, we're going to start putting all our efforts into South America to help them develop their soybeans." So part of the phenomenal success that South America had, particularly in Brazil, was the interest of the Japanese in terms of assisting them in any fashion possible to become an alternative supplier of soybeans to the United States.

NP: Okay. Moving right along. Another question. We'll never get to your thoughts on the current situation. One of the things that you said in your last interview was that the quality system in Canada, the quality control system including grading and so on, came about because the UK demanded it. They wanted that high quality stuff. So given that we don't have much of a UK market now, is the quality system irrelevant?

**[0:45:20]**

BO: No, it's not irrelevant, but it's certainly not that same focus type of market that it was then. It likely is a much, much broader spectrum of product that we have now. Japan is still a good quality buyer. There's still some sales to the United Kingdom and a few other European countries. Other countries like Indonesia and the Philippines, Taiwan—we actually have a few sales to South Korea—a lot of those countries prefer a good quality and a well-defined product that we can provide, and that other countries have become better at providing.

NP: Such as?

BO: Well, the United States. The United States has a wide range of products, and they've, I think, done a lot to improve how their product comes into ports and is defined to the final customer.

NP: Okay. The final question in relation to the last interview. Now, I'm supposed to be a disinterested interviewer, so I'm just holding back myself because one of the things that you talked about in the last interview was you were responsible for getting the F.O.B. rate set down the St. Lawrence River instead of at Thunder Bay, which meant that the delivery line moved in Manitoba rather than Saskatchewan, making it even more advantageous to ship out through the West Coast. And we'd left it at that. We hadn't gone into any more detail than, I think, the last thing you said you talked to Jim Leibfried about it, and he said, "Hm. Interesting concept. Go with it." So what happened from the concept to--?

BO: Well, what happened was that the more we looked at it--. I ended up, right about that time—and it's surprising to me that it's that long ago—hiring a fellow named Harvey Brooks, who was just a brilliant individual. And Harvey and I then set about in defining what we could call the first economic theory for pooling. What the brief summary is is that the pooling system was never meant to be pooling transportation rates, in other words, location on the Prairies. It was meant to pool price. It wasn't meant to pool quality. It wasn't meant to pool transportation. It was only meant to pool price over time.

NP: Okay. Now, as a non-knowledgeable person, then my question is I always thought of pools as being like the Saskatchewan Wheat Pool. It was just a great coming together of the farmers' product into one seller, essentially. The Saskatchewan Wheat Pool would--. Or a buyer would buy all of a farmer's grain and then market it through the Wheat Board. So this pooling of transportation and pooling of price I don't understand.

BO: Okay. The very concept of the word "pool" basically comes from the notion of price pooling that farmers basically wanted to do in the early '20s. And what they wanted was rather than having farmers deliver grain to the country elevator in depressed price in the fall, they wanted to be able to have the right to just string those deliveries to the grain elevators so that they didn't drive the price down, but rather they would pool all their grains together, and you would have some central mechanism that was under the farmers' control that would be releasing the grain to the grain companies before going on to export. So that's why it was called the Manitoba Pool Elevators, the Saskatchewan Pool elevators and so on, because they were offering a price pooling type of system. That's more or less correct.

**[0:50:02]**

So when I use the word "pool," I'm using the word within the Canadian Wheat Board context that we had a price pool. And so, that price pool was farmers delivered their grain on August the 1<sup>st</sup> up to July 31<sup>st</sup>, and it went into a common price pool. So they got the highs and the lows during the year, and the grain was drawn in then in terms of some sort of regulatory fashion, early in the days by quotas and then later by contracts. And so in that way, you didn't have these price depressing effects. Farmers got an initial payment, and then they got a final payment later on, but they had one price. And so, the price pool was meant to, in terms of our

articulation of what the system was really about, was really meant to price average those. And we had quality systems. For example, in the early times, you had No. 1 Northern, No. 2 Northern, No. 3 Northern. You didn't have the Australian system, which was a fair average quality system, and within certain contexts, the Australians actually pooled quality under something that they called the fair average quality system. Ours always had a recognition in terms of premiums and discounts for quality.

And on the transport side, what happened was that Thunder Bay was the dominant port and Vancouver was the residual port, a residual but quality port. And if you go through the economics, then it was quite a fair system that you'd have Thunder Bay and Vancouver as sort of the dominant two points, and two equal points. As Vancouver took more and more, and we ended up going from, say, a 30-70 system and starting to move towards, say, a 60-40 system in Vancouver's favour, then the economics basically ends up being that Vancouver is the price driver, and so you back up prices from Vancouver. And the other tidewater spot is the St. Lawrence, and so, the price is going to be more or less equal at Vancouver and the St. Lawrence. Whereas in the earlier days when Thunder Bay was the driver, the prices tended to be fairly equal between Vancouver and Thunder Bay. And so, the economics changed where everything basically at tidewater was basically equal, whether you were at the Gulf, whether you were at the St. Lawrence or Vancouver. You basically were going to be at tidewater on the ocean, and with some slight, small difference in ocean freight, then if you had the same quality of product, those places were going to equate to each other.

NP: What factored into the prices?

BO: The prices at each of those locations?

NP: Yeah. Like, how do you come up with where it's in balance? What factors into that? Like does transportation--. Like, distance from location and--.

BO: Well, and the big thing that happened in this is that if you looked at Thunder Bay and Vancouver as being equal, that meant that all the costs from Thunder Bay to the St. Lawrence would get fed back into the pool as a cost, and therefore the farmer in Alberta would be paying an equal share of all the costs from Thunder Bay to the St. Lawrence, which, given the shift that had happened that Vancouver was the premium port, it seems funny that the Alberta farmer would be paying for an equal part of the shipment from Thunder Bay to the St. Lawrence. And so, that was the thing that really changed was that you then said, "Let's change the pooling points from Vancouver, Thunder Bay, to Vancouver and St. Lawrence." And that was the cost from Thunder Bay to the St. Lawrence would then get backed up to an equal point in the Prairies somewhere. Now, that equal point tends to be very, very eastern in terms of Manitoba, and so what it meant was that you had the sort of balancing point in terms of the lowest price point on the Prairies went from somewhere in western Saskatchewan to eastern Manitoba. Big, big difference. And so, you basically had to shift that--. That meant that the Alberta farmer wasn't paying those costs for eastern shipment.



**[0:55:30]**

NP: Now, in a situation where the Board evened out the costs so that just like they evened out the--. Each farmer delivering was going to get the same price per bushel for the same grade. If you factor in all of the transportation costs and then the farmers just, on average or relative to their shipments, pay their share, does it really matter where that shipment point is?

BO: No, it doesn't matter other than the Alberta farmers carrying the Manitoba farmer and paying an unfair amount of transportation costs.

NP: Yeah. But isn't that the same for the southern Manitoba farmer who may have--. What am I trying to say? And farmers would have complained about it, "Well, why should I suffer because somebody else has a more difficult time delivering?"

BO: What happened--.

NP: Like, is farther away from the grain elevator than the other guy, so he has to pay more to deliver his crop to the elevator, and he gets the same price. So somebody is sort of losing out there in the averaging.

BO: That was the case in the early days, and that was one of the motivations in terms of the Pools providing an equal service. That tended to draw up somewhere along the line. If you think of really any product outside of--. Every product is going to incorporate the transportation cost. And so, if you're bringing in oranges from California, they're going to have a cheaper transportation cost if it's in the State of California than if you're bringing in Californian oranges into Quebec. It's simply going to be more expensive. So the point of the changing of the pooling points was to reflect within that system a transportation cost as if we were in a non-pooling system. So our theory—which everyone accepted—our theory was that the system never intended to be pooling transportation costs. But here's the interesting thing, is that in the '70s, it almost didn't matter because the cost of transportation was quickly falling to zero. Transportation of grain was becoming free on the Prairies because inflation was going up so high, we ended up with a real transportation problem in terms of rail companies didn't want to buy railcars and so on. It made no sense for them. And so, the costs under the Crows Nest Pass rate meant that the real cost of transportation was falling to zero. And if there's so distortion in the system but the cost is zero, it doesn't really matter.

NP: [Laughs] Right.

BO: And so, that was the real driving point in terms of changing the pooling points was that if you were going to change the Crow Rate, all hell was going to break loose once people started seeing the distribution of prices. And the funny thing where a location in Manitoba, which anyone looking at the map would say, “This place is the most transportation disadvantaged place in North America.” We know that Winnipeg is right at the centre of North America, so it’s the longest to port, the longest to tidewater. Meanwhile, you’d have Manitoba getting a higher price than guys sitting over in Alberta right beside Vancouver, which was the dominant port. But no one really cared as long as these transportation costs were at the level they were. And so what we did was we went out with our proposal—and there’s an interesting story there that’s covered in this book *Across the Grain* that I wrote the history of that particular story, and I prefer people to take a look at that if they’re interested in this question—but the political sensitivity was such that we basically flagged it with Charlie Mayer, who was the Minister. He said, “Go ahead,” and we brought it to the Manitoba Pool. It then went through the politics of both the political system and the farm side and was never solved and never brought in until Minister Goodale in 1995 brought in the changes on the Crow. So it basically had a ten-year gestation period from the time we introduced it to the time that it actually came into legislation.

**[1:01:26]**

NP: You were at the Wheat Board until—if I’m looking at-- . From-- . When did you start there?

BO: I started in May 1970, at the Canadian Wheat Board, and then I left in 1973, came back in 1981, left in 1998 for a leave to the University, and then came back under Greg Arason, who had become the CEO under the new board structure, in 2000, and then left the Canadian Wheat Board in 2002.

NP: Okay. So run that past me again. From 1970 to ’73.

BO: ’73, yeah.

NP: And then where did you go?

BO: And then from ’73 to ’74, I was working with Aboriginal communities in northern Manitoba.

NP: Mmhmm.

BO: And then ’74 to ’76, I was in Ottawa as a policy analyst.

NP: For?

BO: For Agriculture Canada.

NP: Okay. Ag--.

BO: And then from '76 to '79, I was doing my PhD in the United States.

NP: And then 1981, you went back to the Wheat Board?

BO: And 1981, I went back to the Wheat Board.

NP: So tell me a little bit about the Agriculture Canada experience. What was the job? What were the challenges? What did you learn there that you didn't know from your perch in Manitoba?

BO: Well, Agriculture was a very, very different place, and I'd say the federal government was because it was almost a noble thing to be involved in policy, and it was a place that you could do some good in the world, and you could really be at the heart of important things going on. I don't ever remember making considerations in terms of financial pay or anything in that period of time. I think it likely meant that whatever you were doing, the choices from a pay point of view were pretty similar because my choice at the time was working--. I had been a computer programmer for a while from 1967 to '68 in the early days of mainframe computers, and so going to the Wheat Board in 1970, I think, was about the same salary that I would have gotten in my alternate job offer at the time from IBM.

NP: Yeah, you had mentioned that in--.

BO: Yeah. And so, in that sense then, there was a sort of great interest that some of us had in agriculture policy.

NP: So what was--.

BO: And none of this stuff had been figured out by that time. You didn't have farm safety net programs. You didn't have--. Data was poor, for example. You didn't have the tremendous pricing data and so on that you have now. It was just interesting figuring out those things.

NP: So what were you working on there in those years?

BO: I was primarily working on stuff related to the grain sector. The grain handling and transportation sector was looming as a fairly significant one. The guy right above me was a member of something called the Grains Group, and the Grains Group was the troika of departments in Ottawa that revolved around agriculture. One was the Department of Agriculture, one was the Department of Transport, and then there always was something like the Department of Industry, Trade and Commerce, or what now is External Affairs, where the Canadian Wheat Board resided. The Canadian Wheat Board never resided in the Department of Agriculture.

**[1:05:42]**

And so, at that time, there was a new minister on the block named Otto Lang, and Otto was the head of something called the Grains Group. The person right above me was the Agriculture representative to the Grains Group. And so, that was a great plugin to everything that was going on in the policy world and in the grain handling and transportation side, and in the export side.

NP: What was it like to work with him?

BO: He's a great guy—bright, bright individual. Yeah, I can't say at that time that I worked closely with him. I did much later on have a project with him, a couple-of-weeks project for the World Bank in Paraguay, and he always was an extremely thoughtful, bright individual. I had nothing but very, very high regard for him. He wasn't an individual who came out of a political realm. He came out of a thoughtful policy realm as far as I would assess him. In terms of people that as analysts and so on worked within that, he was a demanding individual in terms of the questions he asked and the things that he wanted done in that area. And it was a difficult area.

NP: So that was coming into the LIFT [Lower Inventories for Tomorrow], was it?

BO: No. Well, I'm thinking there of my time in Ottawa, which was really '74 to '76, but you're quite right that Otto Lang was the Minister without Portfolio Responsible for the Canadian Wheat Board in 1970 who--.

NP: Okay, right. So you must have mentioned that last time.

BO: Who was the architect, in fact, of the LIFT program that pulled about a quarter of the wheat acres in western Canada out of production.

NP: So what then in the realm of grain handling and transportation and support programs was happening in that later period, '74 to '76, did you say?

BO: Yeah, yeah. Well, the Western Grain Stabilization Plan was a really big one, and that was the first sort of farm income, organized farm income, program that Canada had and that--. Between Otto Lang, and I imagine that our minister, Mr. Whelan, likely was fairly significant in that area, but in the grain side, then, Mr. Lang tended to be the dominant minister as I recall during that period because he had the Wheat Board, and the Wheat Board was the important--. Mr. Whelan during that period, of course, was the godfather of the supply management system during that very same time. And then another one of the--. What we thought was a pretty exciting program was the two-price wheat system that Mr. Lang brought in during that period of time. So you had a very high price for domestic wheat that was consumed in Canada, and that ended up giving us this great shot in the—well, not us, I'm looking back at my days at the Wheat Board—but you had this great shot in the arm for another 10 percent or 20 percent of the crop that went for domestic consumption at a price perhaps two times what the world price was, or at least it started off in that fashion. What happened was that world price, due to the Great Russian Grain Robbery, ended up going through the roof, and so what appeared like it was going to be a great program in terms of having a premium domestic market in a wheat pool, it didn't quite turn out that way because international prices ended up being boosted so strongly by the Great Russian Grain Robbery.

**[1:10:01]**

NP: What is the philosophy behind making Canadians pay more and non-Canadians pay less? Is it strictly so that you're competitive? Is it a way for Canadians to pay subsidies to farmers?

BO: It was a way for Canadians to pay subsidies to farmers. You know, you have to take yourself back into the time because it's almost like carrying over--. If you go back into the '30s and everything, then the farmer was viewed as the poor child on the block who needed a break and should get some fair prices for his product. And so, two of the big policies, if you think about it--. The Canadian International Development Agency was taking ten percent of the Canadian wheat crop as our participation in the International Wheat Agreement and International Food Aid Agreement that came out of these international negotiations that we were a big participant in. And so, as a government, we wanted to pay a very high price for that Canadian wheat so that it was a premium price paid to farmers who needed it. That was the view. Then the two-price wheat system was basically almost a duplicate of that where we basically said, "Listen, you spread this apart, it's no big burden on the consumer to pay this because the wheat price counts for maybe 10 to 15 percent of the price of the loaf of bread. It's not a big deal. The farmer gets a really big boost. 10 percent, 20 percent of his wheat pool is going to be supported by these high domestic prices." That was very interesting.

And an interesting anecdote to that is that when Mr. Mulroney came into power, and Mr. Mayer was made associate minister of Agriculture, the first thing that Mr. Mayer tried to do was bring in a new two-price wheat system because the old one had been dropped in the interim due to the high prices. And Mr. Mayer was very keen on a two-price wheat system. After a lot of the politics of the situation then, he realized that likely wasn't a great idea, and they dropped it.

NP: Was the Stabilization Plan, then, was it contemplated and instituted at the same time as the two-wheat, or was it an alternative to the two-price wheat program?

BO: No. Completely independent. The two-price program would simply feed into the Stabilization program as some of the prices that were there, whatever they were. Because the notion of the Western Grain Stabilization program--. And it was very broad. It wasn't single farm based and so on, which was later a criticism. It was very broadly based in terms of the whole region. Was basically that in years when you had very low prices that there would be price averaging coming in from earlier years that farmers as a whole would get a payout. And then when times were good, they'd be basically paying into that big broad stabilization program, and it would average out with the government paying in year in and year out on a fixed basis. So the government liability in terms of the physical demand that was required there was predictable, it was something that was politically acceptable. It would go in year in and year out. Farmers would have their formula in high years, then they'd get a deduction. In low years, they'd get a payout.

NP: Did--. Hm. What was I going to say about this? Oh. Was the stabilization program a made-in-Canada solution, or had other countries tried it? Both the two-price wheat system and the stabilization programs, had they been tried elsewhere? Do you know?

BO: You know, whether or not the stabilization program and two-price program were Canadian approaches--. For example, supply management was a pretty unique Canadian approach. The two-price system, I'm not sure what I'd say to that in the sense that the Americans and the Europeans had very, very different programs for their domestic side carried the export side. And so, their tables were the other way around. For the Europeans, for example, had 100 percent of their program almost—well, not quite 100 percent—was a domestic program. So if you got the prices way up, then you had very high farm support.

**[1:15:24]**

NP: But they also didn't have a whole lot of excess to export.

BO: But they didn't have lots of export until those high prices started grinding out so much product. And the Americans had similar approaches where the Americans were, in the early 1970s, the Americans were a primarily domestic-oriented agriculture system.

NP: Now, just an answer to this question, because our project's focus is on Canada's success as an international grain trader, did any of these internal programs intended to smooth out the lot of the farm from boom and bust, what kind of impact would that have on Canada's exporting trade? Anything?

BO: It wouldn't have a big deal in terms of export because the demand for wheat is very inelastic in the sense that you change the price and it doesn't change the demand a great deal, partly because so little of the final price, consumer price, actually comes to wheat.

NP: You left the feds to come back to the Wheat Board, did I get that? Your studies were later?

BO: Yeah. I left the feds to go work on my PhD from '76 to '79 under this guy Willard Cochrane, who was John Kennedy's chief farm advisor.

NP: Right. You had mentioned that in the--.

BO: And then came back to the Canadian Wheat Board. I came to Ottawa from '79 to '81, and then the Canadian Wheat Board from '81 on.

NP: Back in the same position in Ottawa? Back into the same job?

BO: It was basically in the same area, except that I was made chief of the grains area, and so, I had a nice unit of grain analysts. I had, of course, a grain analyst and wheat analyst and a couple others in that area. So it was sort of nice. It was my first significant management process.

NP: Yeah. Now, you were in Ottawa. You were sitting in Ottawa, as we say from non-Ottawa. [Laughs] "He's sitting in Ottawa!" You know, while reality is occurring around here. So what did you learn from your time in Ottawa relative to those of us who whine that Ottawa makes decisions without being out in the regions?

BO: Yeah. Well, I certainly didn't find that in any sense within that time. But one of the things you have to recognize is that at that time, there was no one who came from Ottawa. All of us-- The two places that I ran into people all over Ottawa working the civil service were from the west and from the Maritimes. I'd never run into anyone from Toronto, never run into anyone from Toronto in Ottawa, and I'd never run into someone who was a second-generation civil servant, because they didn't exist. If you go to Ottawa

today, you will find people who are third-generation civil servants. So it's a different environment. At that time, then, Ottawa was willing to let its civil servants actually speak out to a large degree. On the shelf right in front of us here, there's economic journals that basically were published out of Ottawa where individuals were encouraged to actually do research and put it out. That could never happen today. So part of that's a matter of process and political process. The American system is much more open than our system is, and part of that is, so much is demanded by Congress in terms of congressional impact studies of proposed policies. Whereas our system doesn't really afford itself to that. So you'll never have a civil servant making a comment in terms of the impact of policy now, or very, very little in terms of that.

**[1:19:55]**

And that process was starting to change then. It's not solely due to recent government changes. It was an evolving process, one that maybe accelerated in recent years, and those processes, I think, left civil servants much more being the facilitators of things than the doers of things. At that time, it was very much doers. Or at least that's my impression. I liked working in Ottawa. I said facetiously to an individual who asked a similar question when I came back to Winnipeg, and I said, "Well, you know, of all the places I've been, if I had to look at the average IQ, I'd have to say Ottawa has the highest average IQ I've ever run into!" [Laughs] Part of it was they hired good, strong professionals. And within that context, and at that time, I certainly never saw any major political links, and I think it was because the Liberals were sometimes described as the ruling--.

NP: The natural ruling--.

BO: The natural party to govern, and there didn't seem to be anyone looking over anyone's shoulders. You know, you could hire someone who tended to have a very community and cooperative type of frame that you might describe left-wing today, or you could hire someone who had a very, very market-oriented view that we'd describe right-wing today, and you tended to just sort of accept that that's a good mix. "I've got this guy that looks at things this way. I've got this guy that looks at things this way." And it was a nice mix. So it wasn't, surprisingly, a very political place. It tended to be a place where people interested in policy really had great jobs.

**[Audio pauses]**

NP: Maybe in a future life. Onward we go. Now, we're running out of time. You told me you have 20 minutes left, so speak fast. So what took you from Ottawa back--? What brought you back to Winnipeg, and when was that? Oh, I have that here. 1981.



BO: Well, I always loved the Wheat Board, and I had an offer from Harold Bjarnason, who was really rebuilding a few things, and he basically wanted me to come over to the Canadian Wheat Board and work as a single position as the senior economist under him, and he was in a position that would now be the—or in later year would have been—the senior vice president of corporate affairs. And so, it was a great position. I had a pretty free hand. And so, that was one of the early things that I ended up looking at this whole question of port pooling points as an interesting policy thing. That in Ottawa I had been quite involved in feed grain policy, and feed grain policy in those days meant the subsidies that were used to subsidize shipment of feed grains out to eastern Canada. And so, I had sort of developed certain notions about transportation costs and so on in that Ottawa experience and in those early years at the Wheat Board. I had lots of interesting involvement, but I kept on chipping away at this notion, and finally just stumbled on the simple question, “Have we got the pooling points wrong?”

And so that was one of the interesting points, one of the interesting things, but the other was really being involved in the whole market outlook and structuring of markets in the market analysis area where we were sort of the support for the sales guys who—. Salespeople always tend to be very short-term oriented, and we had a very interesting group of analysts that were defined by geography in terms of Asia and Soviet Union and so on.

NP: Yes. We spoke to Lucille Evans yesterday in that group.

BO: Yeah. Lucille Evans later was—. In the early days, she was part of that group, and then she became corporate secretary, of course. Alec Kubicek was the Soviet Union and Eastern Europe individual, and we had a similar individual who spoke Chinese on the Chinese side. That was a great bunch of individuals that I was working with, and I was more a bit of a free-wheeling sort of individual there that didn't have a lot of administrative work at the moment, or responsibilities. And so, that changes, though, as I ended up sort of inheriting the market analysis, and then I eventually, in 1985, took Harold Bjarnason's position, who took a position in Ottawa as an Associate Deputy Minister in the new Mulroney Government.

**[1:25:47]**

NP: What was his position, Bjarnason?

BO: Well, at the time, it was called the executive director of planning. It was a very nondescript term. It later on got the reworded name of senior vice president of corporate affairs, and what it was, it was one of three positions where you had the head of finance, the head of marketing, and then the head of planning. I don't know where they got this word “planning” from. It's a bizarre word because really under the structure we had, which was five commissioners, all planning was really done by those five fulltime commissioners. If you think of it, they're going to do something. What are they going to do? They're going to be planning the

direction of the Canadian Wheat Board. So it was an interesting word and had very interesting pieces under it in terms of the policy, the market analysis.

NP: What was the highlight of that time for you?

BO: Oh, you know, the highlight of that time always was the policy guys and the international trade side. I got quite involved. I'd give talks on international trade. And you have to remember that from the time of the GATT—of the General Agreement on Tariffs and Trade—formation in the late '40s and early '50s that agriculture was exempt, and that's why the Americans could have these crazy programs, that's why the Europeans could have these crazy programs. That agriculture was grandfathered as basically being exempt from all discussions basically in terms of tariffs and trade. With the start of the Uruguay Round in 1985 or right around there that was kicked in Uruguay, in Punta del Este, that was the attempt to bring agriculture into the World Trade Organization framework. There had been earlier attempts to do that, and they had failed in other rounds, like the Dillon Round and Tokyo Round and so on. But on this one, then, suddenly you had the Americans and the Europeans going after each other in what ended up being about a six-year trade war basically that was driven by export subsidies in the United States and Europe. And so, the Uruguay round was right at the beginning of that.

That's one of the things that did come out of the Uruguay Round was an attempt to put a framework around export subsidies. So the interesting thing was you came out of this period, 1972 to 1982, which was a great period for grain—great period for grain, interesting period—and then you start getting into this competition where the Americans were convinced that their farm bill was doing a great injustice to them in terms of them being competitive. The Europeans were slipping, and because of the high European supports, they were producing more grain, which they were starting to take more and more of the world grain markets. So the Americans were upset about everybody, and that--.

NP: And the Canadians were just sort of sitting and watching this go on?

BO: The Canadians, to some degree, one trade negotiator once said to me, he said, "You know, really, our job is to hold the coats. We're standing outside the ring, and our job is to hold the coats as these guys go at it." And to some degree, that was correct. We were always viewed as the good guys who were always looking for the nice, polite Canadian solutions.

NP: Waiting for the crumbs to fall off the table. [Laughing]

BO: I have a funny joke that a trade commissioner told me about that, but it wouldn't be suitable for repeating on a taped conversation.

NP: Oh, darn. I miss all the good ones. Sorry, listener!

BO: But it basically said that the Canadians are so polite that you can do a lot to them, and you can beat the heck out of them, but don't ever touch their halo. [Laughing] Meaning that we always wanted to be the good guys in the trade negotiations, you know, looking for the good solution that everyone's happy with.

[1:30:15]

NP: I like that. We could do worse.

BO: We could. [Audio pauses] Challenge to me was always the fact that our producer base was divided.

NP: Could you start that again? I forgot to turn you on.

BO: The major challenge to me during that period—I don't know if it's a challenge or frustration—was always that our producer base was divided. Now, the Wheat Board was always divided in terms of there being the strong supporters for the Board and cooperative type of market, and then those individuals who wanted a pure and individual and open market. But if you go back, I think, into the '30s, the '40s, the '50s, the balance was likely 90 percent for a Board type of system and 10 percent against, or maybe 80-20. But suddenly in the '80s, you started getting a much more divided opinion, I think, in terms of the Board, and partly that reflected the fact that there was more and more alternatives coming in. It wasn't just wheat. You had canola developing. You had some other diversification. You had the livestock and meat sector actually becoming an export sector. And so, you had agriculture trade that was much, much broader than simply the wheat side.

So there were some reasons why those pressures naturally evolved, but from where we sat, then, the sort of division of farmers in farm meetings-- For example, there were always some farmers—primarily the Western Wheat Growers—who were not there to get a reasonable answer from you. Their job was primarily to give you an embarrassing question and hope that you looked dumb. Our job always was to try to project that. You know, you've got a great organization here with great people, and I think, by and large, we came through that. And then on the other hand, the National Farmers Union, which were a wonderful bunch of well-meaning individuals, they would often set us up too much on the other side. [Laughs] I loved those farmers on both sides, actually, that were just very, very solid and non-political in the sense that they were looking for the best systems. You know, but I was often just terribly disappointed in terms of the Wheat Board detractors in terms of how far they would go in terms of just simply wanting to make the Board look bad. That was one of the more frustrating things I found.

NP: And why do you think that was?

BO: Oh, purely a political view that this was an infringement on their rights and almost a libertarian type of view. And I ran into many individuals who would argue about the Canadian Wheat Board not doing a good job here, not a good job there, and if you were actually making major progress in terms of [inaudible] them around—that really the Board is doing a pretty good job in getting prices beyond our port and is using a single desk pretty well, then especially the ones who were quite frank would say, “You know, you may be right Brian. I simply want to have the right to sell my own wheat for my own price and manage my price risk the way I want to.” And I’d say, “That’s fair game. That’s fair game. You and I can agree on that.” That’s quite reasonable, and there’s lots of farmers who prefer the type of price pooling system that the Board offers, and the strength in marketing, and that’s a fair difference of opinion.

NP: I’m going to ask you a couple of questions, and then I want to ask a question about what’s happened recently and how you see things. First of all, when you look back on--. You moved on from your Wheat Board position, then, to a university position.

BO: In 2002.

NP: Yes. And in 2002, you came here as--?

BO: I came here as a professor of the--. The university actually gave me a full professorship with tenure, which is an unusual thing to get that type of opportunity for a job change.

**[1:35:13]**

NP: Yeah.

BO: It combined a couple things. There was a chair in agriculture cooperatives that I was filling, and then basically just a normal professor who had a lot of the same types of teaching duties and research duties. The chair was in cooperatives and marketing, and so the marketing fell very much into my old history.

NP: Right. Now, recognizing our time constraints here, I’m going to say, how about if we take five minutes to talk about cooperatives and what has happened to them and why you think so and what, if any, fallout there is from that, positive and

negative. And then the last five minutes, I'd like to talk about just you, what you're proud of, and your contributions to Canada's success as a grain trader. Five and five a good split?

BO: Sure.

NP: Okay. So things have changed in the cooperative movement since you moved here to the university. What happened, why did it happen, and consequences, positive and negative?

BO: You know, things were happening before that, but one of--. You know, both of my views relate to governance. I think cooperative and cooperative types of approaches are tremendous things if you have two things. Number one, you have tremendous solidarity and direction among the individuals who basically created or are the owners of the cooperatives. In other words, the users, because a cooperative is basically owned by the users, whether it's a marketing cooperative or production cooperative or labour cooperatives-- And what happened is that there basically was a wave, I would say, that was coming across particularly in the '80s that basically was starting to worship CEOs, and the CEO worship syndrome—if you want to call it that—and the big money that was starting to come across with widening gaps-- I'm not sure Ed Shreyer once said, "It's reasonable that the head of organizations be paid ten times what the average worker would be," or something. Suddenly you start getting that into 100 times, 1,000 times, 5,000 times. So you had these individuals who were in these cooperatives and everything that were in senior management, and a lot of these guys went out to basically hijack the organizations because they never really felt that they were playing in the big times.

And so, number one, I think that you had this move that tended to be generated by individuals who were in senior management of some cooperatives, and that gave a lot of individuals this notion that they're not really businessmen, they're not really--. Which is a nonsensical notion. And so, you had that growing up in cooperatives, and that certainly was the case with organizations like the Saskatchewan Wheat Pool. Saskatchewan Wheat Pool would be my best example, but Alberta Pool basically ended up having an individual like that as well. And so, you ended up having these individuals, and then you had what I would call a failure of governance in terms of the boards of directors. And I think Saskatchewan Wheat Pool is likely the biggest example where you basically had the management wanting to run wild in terms of turning this place into more or less a privately owned type of organization, and the board of governors not basically leaning against them and doing their job. Because cooperatives, if properly run and if the hard work is done, the cooperative advantage can be an advantage. It's not all a one-way story of disadvantage. So I think that was going on there.

And with the Saskatchewan--. Well, first of all, you had the United Grain Growers [UGG] making a transition from a cooperative-type organization to a private organization, a share organization. And United Grain Growers always was a very different

organization. It wasn't one that had the same type of strong cooperative roots that the Manitoba, Saskatchewan, and Alberta had. But then as Saskatchewan went into the same role as trying to create a dual structure where you basically got this access to private capital, which was always the argument—and there are other solutions within the cooperative model, but that one won the day in the Saskatchewan Wheat Pool—and so you ended up having this rather weird A and B class structure in Saskatchewan Wheat Pool. And eventually, as people like Murray Fulton at the University of Saskatchewan predicted, it ended up actually becoming a massive problem where shareholders, as an organization start having trouble. They say, “Listen, who are we, chopped liver? We don't get a vote? We don't get a say on anything?” And so, that structure became not a sustainable long-term structure.

**[1:41:09]**

And then as they ended up in much bigger problems, then basically you had the disappearance of Saskatchewan Wheat Pool. You had the Alberta Pool and the Manitoba Pool forming into a major cooperative called Agricore, and then eventually it went into a funny marriage with the remnants of the United Grain Growers, and so you lost the whole pool movement. I think there's a lot of individuals who will point to—on the inside—that will point to the very moment when the three Pools couldn't come together. And they had very serious conversations and could have actually made the step of becoming a much, much bigger player and perhaps made that step to being a cooperative that—perhaps like Cenex Harvest State is in the United States right now—that has a big presence, that has a significant export arm and so on.

And so, with the disappearance of the Pools, one of the feelings I always had came into play, and that was that if the Canadian Wheat Board didn't have the cooperative movement as its basic sort of linkage to the farmers, the Board really had no direct linkage to the farmers. They had no one who was speaking out for them in the country. The grain elevators, if you are a farmer and you come in and there's some problem and there's no one to set the market right, well, they're likely going to say, “Well, you know, it's the Canadian Wheat Board.” That's a bit of a metaphor for the Board not basically having a presence at that very basic level. And so, I think that was the big thing. And then of course, the disappearance of the Australian Wheat Board at the international side meant that the CWB was the only single desk type of agency, and you no longer had the critical mass to keep the Americans in place when they came on their attacks. The Americans are very persuasive in terms of pulling people over to their side. And so, between those two factors, you had at the domestic side the disappearance of the pools, you had the international side, the isolation of the Canadian Wheat Board as the only single desk.

I think those things basically spell that the days of the Board were over. They made a valiant attempt to try to make a connection to farmers through the governance structure and through the elected officials, or the elected board, and it just didn't happen. I don't know if it didn't happen because, in fact, it would never happen, or if it was basically the luck of the draw that if you had that type of icon of farmer talking to farmer saying, “Guys, this doesn't make any sense. We've got a monopoly here, that's basically

responsible to farmers. Why would we want to give it up? Let's be more diligent in terms of running this organization. Let's be more diligent in terms of what type of corporate governance we want. But why would we give up the monopoly?" And so that never happened.

NP: And what part, then--. Could that have happened if the philosophy of the government in Ottawa had been different? Or was that sort of the--.

**[1:44:50]**

BO: Well, I think that under the earlier government of Mr. Goodale, then Mr. Goodale basically took the view that "This is a good structure. Farmers have basically said they want it. I'm going to give legislation that basically says you guys have this structure. It's your structure. Take ownership of it. And if there's ever a change in the Board's power, the government's going to have to come to you and ask you in a plebiscite if you want to give up those powers." That was basically how the legislation was set up 1998. I think he did a good job. I think it was a tremendous job. There's no question, I think, that in the political side, then, the movement that became known within some contexts as the "reformers" was a very right-wing of the old Conservative Party, and they were a very, very different group of individuals who generally, I think--. And I don't think they'd mind my characterizing them as anti-CWB. So they ended up basically replacing the old-time conservatives who believed in playing between the 40 yard lines, and then suddenly people were off in the end zones, and the government basically had as its goals that the Wheat Board would be dead.

Now, they tried to sell it on the basis of a nonsensical notion of a dual market, which never made any sense, and were to some degree successful in terms of clouding the issue and offering farmers the best of all worlds, that they would have a choice. So they won on that, and as soon as they got a majority government then the Canadian Wheat Board was really stripped of its monopoly power, which, you know, there's likely ten--. I used to say there's ten good reasons why the Canadian Wheat Board could or couldn't exist. The first is without the single desk, it was dead, and the other nine don't matter.

NP: Yeah. And gazing into your crystal ball, we've had one year, which is not enough to predict, first of all, the impact on Canadian farmers, and secondly, what, if anything, in the long-term on Canada's strength in the international markets.

BO: Yeah. Well, one of the things that you have to remember is that wheat isn't the dominant product it used to be, and so everything, I think, has to be seen through those lenses. And at the same time, then, wheat, whether it's in the United States, Canada, Australia, has not had—for all sorts of reasons—has not had the yield increases that the oilseeds have had and corn. And so, corn, soybeans, and canola have become much more dominant crops, and I think there's no question that there's also been a climatic shift north. You know, so we're a very, very different country, and the Board's forte was wheat, and we're a much more

diversified world. So the disappearance of the Canadian Wheat Board is not going to have the impact it would have had, say, if we were 80 percent exports were wheat. You're now looking at maybe 40 percent, 35 percent. Wheat's importance is much more on the rotational side than it is as the dominant export commodity. Canola is a much higher valued export commodity now.

NP: Does the disappearance of the Pools, the disappearance of the Canadian Wheat Board make it more dangerous for the smaller Canadian privately owned or, I mean, publicly owned companies? I mean, there's very few of them. Are they going to be able to survive?

BO: It's hard to say because earlier I would have said that Richardson's was one of those, but Richardson's is one of the big ones right now. And so, yeah, I think that Pioneer and Parrish & Heimbecker [P&H] are basically going to survive in this new environment. They're good at finding their place within that system.

NP: The new Canadian Wheat Board, the new CWB, in its--. What, it's got three years left now? What's its future?

BO: You know, I'm not sure if they'll find a little niche or they'll find a little niche within some bigger entity, perhaps a Chinese COFCO or a Japanese cooperative or something of that sort. I'm not sure. They are not a major player, will never be.

**[1:50:13]**

NP: Will the Competition Bureau, if that's the name of the Canadian one—I'm never too sure if I'm listening to too much American news—Competition Bureau step in if they're bought up and just--. Because at the end of their five years of "Get yourself in order and then the government steps out," is it likely that somebody will buy them and just close them down, or would the government step in and say, "No, this is an even greater concentration in very few hands."

BO: No, they're such a minor player that they'd never come on the--. I can't imagine that they'd ever come on the scale or on the radar screen of the Competition Bureau other than it would have to be approved. But I can't see, given some of the things that we've seen approved, I can't see that anyone would have a problem with whatever they were because they're a very, very minor player. They're not significant. They could be an entry point, perhaps, for a larger organization, which likely anyone would argue is going to increase competition.

NP: Would you think that there's any chance that it could resurface as a farmer cooperative, which is what they're sort of trying to do, or--?



BO: No. That's not to say there isn't some type of small cooperative idea that could come in, but I don't think so. I don't think that there's--. If there's any life for this CWB—and as I say, it's got nothing to do with the older single desk—if it's got any life at all, it will be a life as a private company.

NP: Since you're gazing into your crystal ball, what's the future of the port of Thunder Bay?

BO: You know, that one I--.

NP: Ten years from now.

BO: That one I, you know, am just not staying close enough in terms of transportation. The port of Thunder Bay, I think, is always going to be a significant port, but in terms of the grain, it certainly isn't the entity that it once was. I remember in my early days, one of my great visits was to the port of Thunder Bay, first time, and it really was a magnificent sight to see all those big, large grain exporting elevators. I had never seen anything like it.

NP: And they're still there. They're just not working. My learning from this project has been fantastic, and very early on, I discovered that there were so many pieces in the puzzle of making a country that could export grain, especially in circumstances that geographical and weather circumstances that we have here. When you think back on your career to date, what part do you think you played--? [Telephone rings] [**Audio pauses**] Time for you to say what part you think you played in keeping that system going.

BO: Well, I don't know that there's any one individual that kept any system going, but there's a lot of people who had a hand in it. I do think at the Canadian Wheat Board that one of the things that I think I was fairly successful at was bringing some of the best people, certainly from the agriculture programs in Manitoba and Saskatchewan, into the Canadian Wheat Board. There's no question that, say, at the master's level in agricultural economics that almost all of the best people were coming over to the Canadian Wheat Board from Saskatchewan. It was just wonderful. I had a large role in terms of that and hiring in general. We tended to have a very high standard, and we tended to look for people that were very interested in the world, were very interesting, were very open minded, and in the final analysis, were willing to put a lot of work into a job that they really loved. The Wheat Board was such a great place because it was such a central organization that it wasn't hard to get excited about the Canadian Wheat Board and working at the Canadian Wheat Board. And I still haven't seen it where you have the same dedication of individuals to, in this case, the farmer. It was just the culture in the Board that everything we did was basically for the farmer getting a better buck out of this. It was wonderful in that sense.

[1:55:40]

And we also were very, very defined. One of the things that I really liked is that when you're in that type of organization, people think that you should be doing this, and this is the answer, and so on, but you always had this great guideline. "Does this get the farmer more dollars? And is it part of that mandate to sell wheat, barley, and oats in the old days, to the best advantage of the western Canadian farmer?" If the answer was no, then the answer is, "No, we're not going to be going down those paths."

NP: And would you say that that's what you're most proud of too?

BO: Well, I'm extremely proud of the focus that it gave us, and because we had that focus, then we could play on what was a pretty important stage and, I think, do very well in terms of what our job was to get the best dollar for Canadian farmers.

NP: You had mentioned the Canadian Wheat Board disappearing and the fact that the product that it was responsible for was of less importance. So are you optimistic about the future of Canadian farming?

BO: Oh! Farming and agriculture, because of the nature of the world, it doesn't matter if the Canadian Wheat Board was there or not. Grain farming in western Canada is just going to be a profitable business. It's going to be a good business. It's going to be a viable business. And the only question is what structure will it take? At the farm level, my own feeling is that the dominant structure is that of what I'd call farm family dynasties. Farm family dynasties are those that are basically farming five to 20,000 acres. A lot of grain, big production. People sometimes worry about big corporations coming in. A corporate model can't compete in the long-term with farm families, big farm families. There's just not the type of management that you could possibly put together. They'll look good during the upswing, but when you get into a downswing, they'll be out.

NP: Can the farm family dynasty endure down years?

BO: Oh, they're the only ones that can.

NP: Okay. That's optimistic. We're trying to put together a little interpretive centre in Thunder Bay to recognize the growth and continued importance of Canada's international grain trade, so let's take the Canadian Wheat Board because a large part of your career was with them. What do you think a centre such as that can do to recognize the contribution of the Canadian Wheat Board at a time when it did make a difference because wheat was king?

BO: You know, I think there's tremendous different ways you likely can do--. You know, we have an interpretive centre here at the University of Manitoba that tends to focus on livestock, and I think part of it--. And I'm not sure how you do it. There's so many

different ways you can slice that animal. You know, you can slice it by business enterprise, you can slice it by timeframes and different periods, you can slice it in terms of the impact and the connection to the end user. Because one thing that Canada really was, along with Argentina if you go way back, the countries that were the ones most closely tied to the end use consumer, and then tied to all the development here. There's so many different approaches. It's almost endless. Like, our agriculture and the way that we set up things here, one of the interesting contrasts is Argentina where you basically had the royalty in Spain give these gigantic tracks of land. I don't know if there's 10 of them or 15 of them or whatever. And so, you automatically created a system of, to some degree, peasantry and very wealthy, and that's where Argentina came from.

**[2:00:44]**

Here, you had people that had a quarter section, a quarter section of land. You immediately started off with a highly democratic base, and so the number of ways that you can sort of slice this importance of agriculture. And agriculture is a real easy story to tell. Our graduates here, they don't have any problems getting jobs, and I can't understand why--. Well, actually, we're getting more kids coming over from other faculties. [Laughs]

NP: Yes. And one of the things that we said about for this centre, a feasibility study that we had done said that--. The report suggested that we take a science-centre focus. For one reason, there is no such thing in Thunder Bay, and a centre such as this, which we hope would attract people travelling across the country too--. They have to go through Thunder Bay if they're on the ground, but there's times of the year when nobody's travelling, so if you want this to be viable, you have to make it of use to the community as well.

BO: Yeah. And the Thunder Bay story in terms of it being this gateway for western Canadian grain for such a long period of time, you know, it's sort of an interesting story of how you get that whole freezing over and everything, and the opening of the lake shipping, and it not being closed as long as people would think it was closed.

NP: Two months is long. That's about it.

BO: You know how critical that was along with the St. Lawrence Seaway and so on. You know, certainly that period--.

NP: Tons of stories.

BO: Is big and important in Canadian history.

NP: And viable farming.

BO: And viable farming, yeah. Yeah.

NP: No matter how good you were farming out here, if you couldn't get it anywhere--.

BO: Yeah.

NP: Well, except you could, if push can to shove, it could have all headed south, and so would have the country probably. [Laughs] As far as--. And that's the initial reason for Thunder Bay. You know, initially, left to its own devices without government involvement, it would be north south.

BO: Yeah. Even though the Americans were very protective of their domestic market.

NP: Oh, yeah. But then we would become part of their domestic scene.

BO: Well, yeah, if you go far, way, way back.

NP: Going back, yes, exactly.

BO: And as you go into the Selkirk Settlers and so on, it's very--. Yeah.

NP: That's right. [Laughs]

BO: No, and--. Yeah, I think that's a great project. Thunder Bay, you know, I'm not sure what--. It's not a gigantic place. It strikes me that it's a viable city of its size in the long term. How and what it is--.

NP: For as long as I need to worry about it anyway. [Laughs]

BO: As long as you have to worry about it.

NP: Well, I'm going to say an official goodbye. And thank you very much, it's been very informative and interesting. So I hope those who listen to you many years from now—dust these off and listen to them—appreciate your comments as much as I have.

BO: It's been a pleasure.

**End of interview.**