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Company Affiliations: Federal Grain Ltd., Canadian International Grains Institute, Government of Canada—Department of Agriculture and Agri-Food

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Summary: In his second interview, former Assistant Deputy Minister in the Department of Agriculture and Agri-Food Canada Dennis Stephens discusses the latter half of his career in government and consulting. He first describes the two major farm safety net programs he worked on in government—the GRIP and NISA programs—and he explains the historical context for why these programs were needed. He then describes the various government departments that dealt with issues of the grain trade, early forms of cooperation among these departments in the form of a Grains Group, and the official creation of a Grains and Oilseeds branch of Agriculture and Agri-food Canada. He recounts a typical week as an ADM, meeting across the country, and the ministers he worked under. After his time in government, Stephens discusses his first consulting study on global grain buyers' decision-making processes, shares the results from this study, and lists some of Canada's main competitors. He then describes several of Canada's regulatory entities and laws—like the Canadian Wheat Board, the Canadian Grain Commission, and the Crow Rate—the historical context for their creation, and the changing industry that no longer demands such strong regulations. Other topics discussed include his short time in the Ministry of Small Communities, Canada's relative stability as a grain producing nation, the growing issue of market access for modern farmers, and a story of stringent GMO regulations in Europe causing global trade issues.

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Time, Speaker, Narrative

NP: Good morning. I'm starting a second interview with Dennis Stephens, and we are meeting at the Canada Grains Council office at 220 Portage Avenue, Royal Bank Building.

DS: Correct.

NP: And this is a continuation of an earlier interview, and I guess just to make the connection between the last interview and this one, I'm wondering, Dennis, if you could review your career dates so that we get the whole picture rather than pieces.

DS: Well, I'll start at the very beginning, but not too far back. [Laughs] What I mean by that is that I was born and raised in Winnipeg and that I received my university education in Winnipeg, University of Manitoba. But my university time was somewhat unusual in the sense that I had started in engineering and decided that wasn't for me, but didn't know what I wanted to do, and so I joined a newspaper, the *Winnipeg Tribune*. I thought it would give me a chance to see other professions in action. And through that initiative, I got involved in agriculture and became the agricultural reporter for the *Winnipeg Tribune*. And the *Tribune* in turn sent me to university, and actually I covered the legislature in the evenings and went to university in the daytime, and focused on economics and political science where my challenge was to attempt to determine the impact of government policy upon industry.

Upon graduation, I was business editor of the *Winnipeg Tribune* and had done several stories focusing on the grain industry because the grain industry, of course, was an industry that had very significant government regulations determining its operations. I then went to the *Globe and Mail* and was with the *Globe and Mail*, and in 1966, I left the *Globe*. I was interviewing George Sellers, who was the president of Federal Grain, on behalf of the *Globe and Mail* on a series of stories on the grain industry for the *Globe*, and during that interview, George Sellers asked if I would join the company. Federal was a public traded company on the Toronto Stock Exchange. It had just recently merged with the Searle Grain Company. It also owned the Alberta Pacific Grain company. And Federal was also interested in becoming a conglomerate, which in those days was a buzzword for those companies that attempted to spread their assets over a wider sector of the economy. So if there was a downturn in one sector, you had some insulation from the severity of that.

So I did. Though I hated to leave newspaper work, it was a fascinating time. I did decide to do that, and I joined Federal therefore in 1966 initially as a director of corporate relations. It wasn't long before I became manager of transportation for Federal because we had acquired Neptune Terminals, which was a bulk handling terminal in the port of Vancouver. We already owned 45 percent of the grain handling capacity at the port of Vancouver, and we thought we could use the unit train concept of Neptune within the

grain industry, and I believe I told that story the last time. But that became my area of interest for about three years as manager of transportation for Federal Grain.

When Federal sold its grain assets in 1972, I joined the Canadian International Grains Institute, which was announced just as a concept at that time. Vic Martens was the executive director who had been the former executive director of the Canadian Grain Commission [CGC]. Vic and I were basically the first employees of the Canadian International Grains Institute. It had small offices in the old Winnipeg Grain Exchange Building, and our first challenge was to design and oversee the construction of the Canadian International Grains Institute. It was a tremendously interesting era, and from my point of view, it was extremely successful—the concept of using education as a marketing tool. I stayed with CIGI for much longer than I had intended because it was a fun place to work. I travelled to maybe 60-70 different countries around the world looking at what was the end use product that was being consumed in that country and how could Canadian grain be used to produce that particular end product to the advantage of not only the Canadian farmers, but also to the advantage of the overseas buyers who were buying the product. Once we had determined how that could best be done, we would then invite the overseas people here or we'd take technical teams into the overseas country in order to provide market development support to Canadian exports.

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I left the-- I was executive director for the last ten years or so that I was there at CIGI. I then became Assistant Deputy Minister of the National Grains Bureau of the grains and oilseeds branch of Agriculture and Agri-Food Canada. At that time, Minister Charlie Mayer was the minister for grains and oilseeds, and the grains and oilseeds branch actually reported directly up to Minister Mayer. In 1989, there was considerable challenges. We were in the middle of a major trade war at this stage. Both Europe had started to employ export subsidies. The Americans decided they were going to match them dollar for dollar—in some cases actually exceed them—and Canada didn't have the treasury to compete. And so, our farmers were suffering, not because of their inability to produce or because of normal market conditions but were challenged because of these trade wars. And so, my job—although I didn't know very much about farm safety nets—it didn't take very long before I was placed in charge of trying to find a more effective safety net program to provide some degree of support to Canadian farmers such that when we hopefully would be successful in the Uruguay Round to reduce these export subsidies, we would still have some farmers here to be able to participate by the time we got there.

So I was asked, as I say, to lead that effort. I created a grains and oilseeds farm safety net committee. We must have had about 30-35 different farm organizations and/or provinces at the table because, obviously, these issues were critical not only to the federal government, but they were very critical to the provincial governments. While I would suggest that the major hurt was on the Prairies simply because 80 percent of the grains and oilseeds in Canada are produced on the Prairies, nonetheless, there was

significant hurt across Canada because it had depressed the market prices right across the country. We spent--. Oh, the first several meetings were focused in terms of trying to define the nature of the problem, trying to define what sort of principles we should be employing as we looked for a resolution of what type of options existed out there, and then began to develop and bring forward different options that would be applicable across the commodities—the grain commodities and oilseeds and special crops—that would be national in scope and that would be recognizing that there needed to be financial contributions from all parties, namely the federal government certainly had a role. The provinces had a role.

We defined it as three levels of defense. The first level was the level of the farmer himself. It said a farmer had a responsibility to ensure that his farm management was appropriate for the conditions and that he was taking every step possible in his own capacity on his farm to manage in an effective manner. The second level--. And in that first level there could be support from governments in the sense of providing assistance in terms of extension work, particularly from provinces, et cetera. But it was in the second level where we felt this was where the major focus had to be made. It was a recognition that at some stage there were factors beyond the farmer's own capacity to be able to manage, and when you hit that level, then there was a public responsibility to step in and provide some assistance to the--. [...*audio skips*] That were caused because of weather or disease conditions or there could be market problems. In other words, it's this trade war that I talked about earlier was causing very much a significant decline in prices. These were well beyond the capacity of a farmer to manage himself.

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And so, we looked at what should be the role of the producer, what should be the role of the federal government, and what should be the role of the province, and we eventually found a pathway forward. And I'll come back to that in a minute. The third area was what we called the third level of defense, and this third level of defense was triggered when it became recognized that the problem was a long-term problem and therefore to maintain the status quo of your existing farm operation or of your existing industry structure, it may not be sustainable in the future. And if it's not sustainable in the future, it certainly isn't in the public--. [...*audio skips*] Before the emphasis had to shift. The emphasis had to shift, say, to training and providing maybe greater support for diversification into other products, possibly greater support in terms of expanding the domestic processing operations in Canada so we became less dependent upon the export market, particularly in certain commodities or certain areas of the country. These would all be what I would call third level of defense associated with trying to maintain that family farm approach, but to give it maybe greater opportunities in other sectors or other areas of agriculture, maybe diversification into livestock production or whatever it may happen to be.

So those were the three levels of the defense, and I think the concept, even to this day, I think it's a sound concept in which to employ from a structure point of view. But most of the focus, as you could appreciate--. [...*audio skips*] A lot of time talking about

getting out of farming or becoming a beef farmer or a hog farmer or a poultry farmer or something. [Laughs] Most of the focus was at that second level. As I say, we began to provide some support to farmers while we negotiated in the Uruguay Round to try to remove these export subsidies. In that area of the second level, we ended up with two programs. One program was built on crop insurance. In other words, we had a crop insurance program that was administered by the provinces but was cost shared between the producers and the federal government and the provinces, and it was designed, really, and was actuarially sound. But a farmer could enroll in crop insurance, and by enrolling in crop insurance, he could insure his yield relative to the historical yields of either the region or--. [...*audio skips*] Positions or too much moisture or frost conditions or what have you, and the yield was reduced. Then the program would pay the farmer for that loss of yield.

These programs had been in place for some time, and so we decided to build on that instead of focusing only on yield, we would be better off if we could focus on the revenue per acre. The reason for that is that you often find that in times of low yield, you might have high prices, and what is important to a producer is the yield times price, which gives the total revenue to the farm. So we developed what became known as the Gross Revenue Insurance Program, otherwise known as GRIP, and that program had an advantage to it because it provided an immediate cash outlay to the producers simply because the prices of the day, because of the international trade wars, were significantly lower than the historical prices upon which the immediate payouts that would suddenly give some cash injection to the producers.

NP: If I could ask a question here because I was in Winnipeg at the time that these programs were rolling out. Was there some disagreement about--? It seems to me sort of back in my mind that it was not an easy process necessarily, that these programs were contentious, or am I--?

DS: No, I think you've got the emphasis on the wrong syllable. [Laughs]

NP: Okay. [Laughs]

DS: This could be through my biased eyes. I would say this: There was tremendous unrest, tremendous frustration, tremendous anxiety at the farm level. They had been going for several years with a continually declining price factor, together with some poor years of crop production, and the combination of that--. [...*audio skips*] At that time, and I think what you're thinking about is I remember having to go with Minister Mayer to a rally on the front steps of the Manitoba legislature, and we had to have police protection. There was probably five, I don't know how many thousands of people, but it was just wall to wall people on the grass lawns of the Manitoba legislature that were there not because of complaining about, say, the GRIP and NISA [Net Income Stabilization Account] programs that I was about to discuss, but rather they were there expressing their anxiety and frustration with government at not coming forward and giving them some money in order to relieve this severe farming problem.

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So the anxiety and the frustrations were erupting all across the country, and these frustrations were evident through farm rallies that were in curling rinks or wherever, and they were national. They were not simply here in Winnipeg or on the Prairies. We had the same situations in--. [...*audio skips*] So that was, I would say, the atmosphere in which this group of 35 people were attempting to develop programs that would not be responding in terms of just X-number of dollars per acre, which would give an immediate cash injection and which we did a couple of those ad hoc programs just to get some cash out there. But the trouble with ad hoc programs from a farmer's point of view is that they're non bankable, is that they can't go to the banker and say, "Well, look at it. Here's my operation, and I'm going to be getting X-number of dollars for this," because you would never know if a government was or was not going to give the money, and if they were, they didn't know how much or on what basis. So it was maybe putting a little bit of water on a fire is what I would call the ad hoc program would do, but it didn't tackle the systemic problems that were there in a manner in which it could be blended with that first line of defense, which was the farmer's own management capacity. [...*audio skips*] But in a manner in which it would be much more, what I would call, predictable.

In fact, one of the criteria that we tried to achieve was to create a program that provided an increased predictability to the farmer such that in the springtime he could go to his banker and say, "Here is what I've insured my revenue per acre for, therefore I can receive this kind of a loan." And the banker is fully prepared to give the loan because he can see he has insured his revenue up to a certain level. And that was the great advantage of the GRIP program is that it was a revenue insurance program. It was delivered by the provincial crop insurance organizations, and there's one of those in every province that was already there. We actually facilitated the farmers in entering that program by giving them some cash incentives that were available to encourage that farmer, almost give him a bit of a push, to realize that he had a responsibility himself to manage his farm. And part of that responsibility to manage his farm was to take out the necessary insurance programs that were available, and that he didn't deserve just to have money coming from the public treasury if he wasn't prepared to do something himself. So on that GRIP program, it was agreed the provinces would pay a certain amount, the federal government would pay a certain amount, and the producers would pay a certain amount. So it was a cost-shared program by all parties, and I think was quite effective, and I'll come back to why it's no longer with us today.

NP: Can I just ask a question just for my own clarification? So is it fair to say, then, that the situation—and I'm looking at around the end of the 1980s—that if we were looking at what brought things to the crisis it was at, a large part of it was the result of international--. [...*audio skips*] Given the three levels you were working towards. There were also certain inefficiencies that when competition wasn't as bad as it was, or certain inefficiencies in the Canadian farm system, that this is the silver lining to the cloud, that it allowed farmers to look at longer term improvements.

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DS: No, I wouldn't say--. I would say this, that obviously the farm income crop insurance programs that had been designed in an earlier era were not designed to meet the type of conditions that were created by the trade war. And so, I wouldn't say that, say, the farm operation per se was inefficient. I think that on the whole, obviously, there's great variability in farms as there is in anything in terms of different levels of farm management capacities, et cetera. But on the whole--. [...*audio skips*] was a pretty efficient industry. It was just being battered by conditions that were being created because of the huge financial resources of Europe and the huge financial resources of the United States. And so, here the American farmers just to the south were not in particular pain, not because they were better farmers, not because they were more efficient farmers, but they had different tools that had evolved to sustain them while the Canadian farmer didn't have those same tools.

The second program that we developed was a program that became known as the Net Income Stabilization Program, or NISA. It evolved--. Actually, it was designed by farmers themselves. This didn't come out of a group of economists. [Laughs] It came out of farmers who said, "We want to strengthen the tools that we have to manage our own farms." And we do that in other sectors through--. [...*audio skips*] Savings plan concept, but do it in terms of farming operations. So in those years—because we've always had significant cycles in farming—so in those years were there are good years that we have the opportunity to put that money in a tax-free envelope, like an RRSP, and then pull it out in the down years. The original concept was actually created by a chap by the name of Bob Hopley in western Manitoba and Syd Guire, who was up in the Neepawa area. Those two farmers threw the concept onto the table, and it had resonance. People thought it was good.

We put it forward. My colleagues in the Department of Finance weren't very keen because the original concept was to actually drive it off the income tax returns. But at that time, the Department of Finance was concerned that we were getting too many of these tax loopholes, if you will—or what they would call them—and said, "We like the concept, but let's modify it. Instead of being driven off the tax system, we'd be prepared to, say, to take the benefit that a tax break would provide, but turn it into an interest bonus." And so, they calculated what the benefits would be of a tax deduction, and they converted that into an interest bonus, and the federal government contributed that interest bonus into it. At the same time, if the farm put in 50 percent, that would be matched equally by the federal and the provincial governments. So it was 50 percent federal, 20--. Or, pardon me, 50 percent producer, 25 percent federal, 25 percent province. And that, again, supported the build up of those funds.

NP: Now, looking at the international trade aspect of it then, and--. [...*audio skips*] Here is that every country is accusing the other country of unfair subsidization, some direct, some indirect. So did these programs have any repercussions in that, in the international--?

DS: Well, on the international area is that they have categorized different programs to the degree of impact on international trade. And a program could be green, which means that it does not have any impact on international trade, and secondly, a program could be amber because it has some impact but not dramatic. And then a program could be red, in a red box, and that would be an export subsidy, which is very definitely--. If you're paying a high price domestically and then you dump it into the world marketplace by providing the producers with the difference in that value between what they were paid and what they had to sell it on the export market--.

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What we were doing here, the reason we developed the two programs was you couldn't start a farm income type program with a NISA type program because it was based on building up a NISA account in order to have something in times of no money. But if you don't have any money to begin with, you can't start there. [Laughs] So the idea was you go with GRIP, which I would have put into the amber category. It did have some features to it that one could argue might have encouraged production because it did isolate the farmer from the marketplace of today by giving him a higher market price because of historical higher prices. Over longer time, that would come down because those prices would ratchet down as you moved into the future. But having said that, we needed the two programs because the GRIP provided that immediate support. It was bankable. It could be used the day it was rolled out. At the same time, the NISA program was very green. It was totally insulated from the marketplace. I mean, it was totally attuned to the marketplace because, obviously, the amount of money that was going in would depend on what came from the market. It didn't have any impact on a particular crop in terms of his decisions as to what to produce. So it was totally green. And our longer term thought was that GRIP would eventually slowly become less significant, and NISA would become more significant over time.

Coming back in terms of your comment about why I kind of chuckled when you said, "Was there disagreement with these programs?" I would say, no. In fact, it was unbelievable that we had total consensus of all the farm organizations in Canada who were represented around that table—and I think we had everyone that was possible—plus the provinces all signed on within record time. We had to change legislation. We had to create a new Farm Income Protection Act because the existing act didn't provide the capacity to manage it in the way in which it had to be managed. In order to--. Because of the recognition of all parties of parliament that I think today I wouldn't be surprised if that wasn't one of the fastest acts ever to be passed. We got special permission, for example, to have it heard within the Senate at the same time as within the Commons. Normally, a piece of legislation will be introduced in either house and then go through that house, and then it gets transferred to the next one, all of which is happening in a very coordinated manner. But to have this happening at the same time was almost unheard of, and so, that piece of legislation passed in a very, very short order of time. I don't remember exactly, but it had received literally all parties' support.

The reason it did was because the farm community was totally supportive to what we were doing right across the country, and so there was a great deal of empathy and understanding at the political level end of support. And Minister Don Mazankowski, who was the Minister of Agriculture and Agri-Food Canada at that time and who steered that process, was a very, very able minister to facilitate, say, that all-party support. But to give you an indication, I mean, we had a meeting in Winnipeg one time of this group, and I got a phone call saying the Prime Minister was going to be in Winnipeg and had requested an opportunity to meet with the members of this committee. And so, Prime Minister Mulroney joined us and heard firsthand what some of the concerns were across the country and pledged his personal support in trying to ensure this moving forward very, very quickly and effectively. So I think they were hard times. Certainly, all of the people involved in the development of those programs spent a lot of time and energy in doing so. In hindsight, my regret is a little bit if we had taken maybe one more year, we might have polished them off a little bit more than what we did. We introduced them, because of the panic of the farm income situation, maybe a little earlier, and what the program was particularly with the GRIP program.

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And that is because in the GRIP program, as I said earlier, each province had its own crop insurance program. We were building this GRIP on top of existing crop insurance, and they weren't identical from province to province. And so, there were differences from province to province, and some of the provinces didn't necessarily have the resource capacity to kind of take that added burden and put it on and get it out into these timelines. If we had given them an extra year to develop all the software that was necessary and all these other things that were necessary-- And the same thing even, too, with NISA. We really did push the administration. Conceptually, we developed the programs faster than the implementation could take place, and we should have spent more time in the implementation. But it was an interesting time.

NP: What was the private grain industry's involvement in this? Or was it sort of all--.

DS: The private industry is not really involved in the farm income issue directly. They're very much involved when it comes to the marketing, the handling, the transportation, and so on, but in terms of the farm income situation, these policies really involve the provincial government, the federal government, and the producers themselves. And so, in that particular situation, the trade was not as active in it. In hindsight, if I was going to be doing it again tomorrow, I would probably have brought in the trade a little bit more, particularly on the GRIP program. The GRIP program involved in establishing prices, and that is a very difficult thing to do, and in hindsight, I think that if we had had a bit more trade involvement, it might have turned out to be an even stronger program than what it turned out as it did.

NP: And what was the future of those programs? We're looking at the late--.

DS: They did a good job for, I think, about ten years or thereabouts, and then there were changes in government. And as new governments come in, they tended to put their own wrinkles on things. There are still elements of both of those programs in existence. In fact, it was interesting. I was in a meeting just last month in Mexico, and on the same panel with me, the same session, was Bob Thompson, who was a former president of the World Bank. He's now advocating a gross revenue insurance program in the United States that is essentially based on—or has many similarities to—the program that we had here in Canada that's no longer going. [Laughs] But there is conceptually the concept of focusing on revenue versus either production or price is a very sound concept. It has challenges when it gets to the implementation to ensure that there is enough. You're not insulating it too much from the marketplace, otherwise people are seeding or producing relative to the program, not to the market opportunities of the day. And that's the place that needs to do more work on and needs refining.

NP: So your time as ADM covered from, was it, 1989 to--?

DS: Well, until about 1993 or thereabouts. Things change. [Laughs] In this short-lived Campbell administration, Minister Mayer was changed from Minister of Grains and Oilseeds to Minister of Agriculture and Agri-Food Canada, and they discontinued the separate Ministry for Grains and Oilseeds. At the same time, they created and gave to him the Ministry Responsible for Small Communities. Nobody in the public service had any idea what that meant, so I was asked by my deputy minister Rob Wright if I would work to try to determine how the public service should support a Minister Responsible for Small Communities. Should there be a separate department? How do we provide that expertise necessary to service that mandate?

NP: And that was one of the issues that we covered in the previous tape.

DS: Yes, that's right.

NP: About the tyranny of isolation, which I found--.

DS: That's correct. [Laughs] And that's how I became--.

NP: Still applies in some communities.

DS: Yeah. And that's how I became in charge of that. So I left the grain side, per se, and I went into this rural function, and I spent two years or more in that rural function and thoroughly enjoyed it, as I discussed at the last time. In that regard though, then in 1995

or thereabouts when the Liberal Government came in—or '94—there was a--. The new government, while they had great concerns about the rural area, didn't want to retain that ministry, and so there was no longer a Ministry for Small Communities. At the same time, the department felt it was a high priority, as did the minister. Minister Goodale at that time, had been Liberal leader in Saskatchewan, and he certainly knew the challenges of rural. But at the same time, you'll recall that's when Canada's deficit was just at its worst level, and the new government knew it had to be taking very severe measures to cut back. And they were concerned that if we had a Ministry of Rural or Ministry of Small Communities, it could give the perception that there was going to be a bank account associated with that, and it would be federal dollars going into rural areas and so on. And they just didn't want to make that signal.

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And so, they decided just to put it on hold, and instead of being a ministry, instead of it being a multi-departmental function, it would just be something within another small section of a Department of Agriculture. And with that decision, then it was no longer at an Assistant Deputy Minister level because it was no longer involving the interdepartmental and other agencies. And so, if I was going to stay with the federal government, I could no longer stay in Winnipeg. I would have to go to Ottawa. [Laughs] And that's when I said, "Thank you, but no thank you." So in '95, I resigned from the government, and I created my own consulting company. And I've been doing that since that time.

NP: I just wanted to go back for a moment to the Grains and Oilseeds group because it seems to me that fairly early on in Canada's history, there was a special group established that dealt--. [...*audio skips*] Until the time that you're talking about here? Did it ever resurface that there was a group that specifically focused on--?

DS: Now I'm having to reach back in my memory, and my memory isn't quite as clear in terms of dates and these types of things. But over time, you have seen different departments of the federal government responsible for different areas of the grain industry. Obviously, we've always had a Department of Agriculture right from the get-go, and so things associated, say, with research or associated with the basic, I would say, production area of the industry was very much focused there. When the Canadian Wheat Board came into being, there was a minister named for the Canadian Wheat Board, and most of its functions were delivered through the old Department of Industry, Trade, and Commerce because this involved working with the trade commissioner services globally, which came through the Ministry of Industry, Trade, and Commerce. It involved things such as credit and so on and international interface, and so a lot of that was done through the Department of Industry, Trade, and Commerce. And they had a grain marketing office in that department that basically serviced those needs.

Then you also, obviously, had a Department of Foreign Affairs, and it was involved in certain issues. And I guess it was probably during Trudeau's time when--. And actually, I think I give a lot of credit to Minister Lang. When Minister Lang came in, he became minister—he was never Minister of Agriculture—he was Minister Responsible for the Canadian Wheat Board, and he kept that portfolio, and he took on many other portfolios during his career, but he always retained--. [...*audio skips*] That the issues facing the grain industry crossed different departmental lines. And so, I think what's in the back of your head is the concept that Otto Lang introduced, which was the Grains Group. This Grains Group he brought in an Assistant Deputy Minister from Agriculture. He had senior people from transport. He had senior people from the grain marketing office in terms of Industry, Trade, and Commerce and so on. So he literally brought these various agencies—and in those days transport was a very critical issue, and that's why he had the Department of Transport there—and that group was chaired, actually, for some time by Esmund Jarvis, who had been a Deputy Minister of Agriculture in Manitoba. He then became an Assistant Deputy Minister in Ottawa with Agriculture and Agri-Food Canada, and in that--. [...*audio skips*] With Otto Lang. And then he eventually became chief commissioner of the Canadian Wheat Board and was in that position for a number of years.

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But that was what I would say the first attempt to kind of bring all these different component parts together. And then, when the Conservative Government came in with Mr. Mulroney, they went one step further by creating--. Instead of having a Minister for the Wheat Board, they created this Minister for Grains and Oilseeds, and they decided, therefore, to really take that Grains Group concept and really make it kind of a quasi-department. In fact, initially it was going to be a department, I think, but it eventually became a branch of Agriculture and Agri-Food Canada but was headed up by an associated deputy minister reporting directly to the minister. And so, they moved the grain marketing office from the old Industry, Trade, and Commerce into this Grains and Oilseeds branch. So I was responsible for domestic policy, and then I had a counterpart that was responsible for the grain marketing side of the--. [...*audio skips*] There were three or four people. I'm trying to remember whether it was still Bill Miner. No, I think it was Noel O'Connell was the first one who actually came out and created the grain marketing section of the Grains and Oilseeds branch. And Harold Bjarnasson was the Associate Deputy Minister, and that's who I reported to when I was there.

NP: Is it possible to describe a typical day of an assistant deputy minister?

DS: [Laughs] It's certainly--. It becomes more structured. What I found in terms of a typical day—maybe easier would be a typical week—is conceptually I was located in Winnipeg and agreed to take the job because I was in Winnipeg. I didn't want to leave Winnipeg. But the concept was to put the major policy formulation for Grains and Oilseeds in Winnipeg, and while if it's being delivered out of Ottawa, Ottawa is a long way from the commercial centre of the industry, and there's a disconnect there. So by putting the two into the same location that we might evolve better policy. And I liked that challenge. I thought it was intriguing,

exciting, and so on, but what it meant was that every Sunday night, I was on an airplane flying to Ottawa because the day in the life of an ADM begins in the Monday morning at 8:30 where there is an executive committee meeting of all other ADMs in all the other areas. Extremely important meeting because it's where each one essentially discusses what happened last week, and maybe more importantly, what's happening in the next few weeks so that we're all aware of what's happening in all facets of the portfolio right across the country.

And often what is happening in one, say, in research or what's happening in inspection and so on, what's happening on the trade side--. [...*audio skips*] That would go from 8:30 to 9:30 or something like that. Then you would be having, immediately, meeting with your own staff. I had half of my staff in Ottawa; half of the staff were here in Winnipeg, although the Winnipeg office increased dramatically as we took responsibility for the development of NISA and its administration and so on and so forth. I think they were up over 700 people in terms of delivery of NISA. But where they would then spend time having a more detailed discussion with the senior people in Ottawa, that meeting would have been chaired by my associate deputy minister. So in effect, we went from the overview of the whole department to a roundtable executive meeting of the Grains and Oilseeds branch itself, and so that would probably occupy until about 10:30. Then you would have a series of meetings depending what the subjects happened to be or the issues of the day with your senior staff, and discussing what were areas that were of concern.

[0:45:03]

And then, on--. [...*audio skips*] Sandwiches at your desk, and then at 2:00, we had a departmental management meeting. And here was, again, basically the same people that were at that first executive meeting, but on this time, it's whenever there were significant issues that were being addressed or new agendas evolving or what have you. There'd be one or two subjects put into that two-hour meeting. We'd have a very detailed discussion associated with it, so that as that new policy or as that issue was being addressed and tackled, it benefitted from all of the departmental heads to ensure that we were indeed looking not through a very narrow lens, but as broad a lens as we could put together with the whole department. And that would be--. And then you would, after that, you would usually have two or three more meetings with individual staff on specific issues, and then I would--. [...*audio skips*] With other departments or ministries in terms of files. And then I would say at least one or two times a month, I would have to travel some other place to other parts of Canada to deal with staff or issues or provinces or what have you.

During that time when we were evolving the GRIP and NISA program, there were huge dollars in those things. Billions of dollars involved. And so, there would be--. Often, I would stay over the Tuesday for meetings with the Department of Finance or Treasury Board or the Privy Council office because we were then starting to--. We had to go to Cabinet with different submissions in order to be able to do this. We also had to involve, in order to get that degree of consensus that I talked about within parliament, we would have meetings with different parties, different caucuses to discuss it with them. We--. [...*audio skips*] House of Commons in

order to ensure that all members of parliament were not only aware of the situation, but aware of the pieces of legislation that were being developed and why they were being developed and what the impact of different alternatives might be. So that timing, there would be many occasions where I would get back to Winnipeg, and usually on the Tuesday morning I would have the executive meeting of my office here in Winnipeg so that I could keep them informed of the information that I had in effect gleaned from the preceding days so they didn't feel as if they were out of context sitting here in Winnipeg.

And normally, your time is very programmed. I mean, you do have an executive secretary, but it's the one who is essentially managing your office, and your time is not your own time. I would say that it's--. [...*audio skips*] In the morning, and you would be lucky if you were out of the office at 6:00 or 6:30 at night. You do all your flying at night. You never fly during the day. So on all these trips, you would leave here 7:30, 8:00. You'll get into Ottawa 11:30. By the time you're in a hotel, it's 12:00, 12:30, and then you're at the office there at 7:30, 8:00 in the morning. So they're long days. And as I say, you have very little time that I would say is personal time. Particularly, one of the disadvantages of the concept is that it's fine to have a policy office outside of Ottawa. I think it's a good thing. I think the concept of having a good policy team in the areas where the commercial industry is located that are being impacted by that policy development is sound. But as you move more senior, your requirement in Ottawa becomes very, very extensive, and--. [...*audio skips*] Flying back down again for meetings with Cabinet or meetings with other departments or central agencies. And so, I'd be in Ottawa at each end of the week, and that, over time, becomes tiring. But it's exciting. It's exhilarating.

It's exhilarating because you can see tangible results. I was very fortunate in the time I was in Ottawa. I served under four different ministers, and I served with ministers who were anxious to get things done. So it wasn't a case of treading water. It was a case of trying to keep up with them in terms of ensuring the policy options you were putting forward were as sound as they can possibly be and that the research behind them was as solid as you could be.

[0:50:19]

NP: Now, you mentioned the ministers probably over the course of the interview, but could you repeat the four ministers that you worked with?

DS: Yeah. The ministers of Agriculture that I worked were--. [...*audio skips*] Obviously, from Manitoba. And Charlie, when I joined initially, was the Minister for Grains and Oilseeds. As I said, he then became Minister for Small Communities, and then he became Minister of Agriculture and Agri-Food Canada during the time that I was there. The Minister of Agriculture at the time when I first joined was Don Mazankowski, who was also Deputy Prime Minister, and he was chairman of the Operations Committee of Cabinet at that time. And Minister Mazankowski, as we got involved in the development of the farm safety net

system, actually personally became very active in that file. And he was doing a broader review of all agriculture, and he called it “Growing Together” and had created a number of teams looking at transportation or research or what have you. Literally the pie of agriculture was divided into sections, and I was looking after this Grains and Oilseeds--. [...*audio skips*] To have something done immediately on it. He provided a lot of direction associated with that, personally.

He was succeeded by Minister Bill McKnight from Saskatchewan, and then Minister McKnight was succeeded by Minister Mayer, as I said. And then Ralph Goodale, Minister Goodale, was the minister under the Liberal Government that came in under Prime Minister Chretien. But every one of those ministers was a very able minister. Each one had their own personalities and had their own ideas. [Laughs] But they were all not only able people, they were just very good people to work with. And so, I was very fortunate during my time in government.

NP: Now, you mentioned that, what was it, '95 that you decided to--?

DS: Yeah, it was '95. I left the government, and one of my first assignments was an interesting one. Kind of reached back into the-- . There was still concerns—as there have been and will be—with the Canadian Wheat Board, and there had been a panel created by Minister Goodale to examine the Canadian Wheat Board’s operations. It was called a “Grain Marketing Panel.” I received a contract to take a look at what was the view of the Canadian Wheat Board among the buyers of the world. There’s a great deal of discussion in terms of the Board and its pros and cons within people in Canada—whether it be producers or the trade or what have you, politicians—but nobody had really looked at what are the views in terms of the export marketplace? And because of all those years I’d been at the Grains Institute, I was on a first-name basis with many of the major buyers globally around the world.

And so, I took this assignment, and it was a fun--. [...*audio skips*] Questionnaire to focus in on what were the decisions that were taken by a buyer in his decision-making process to buy grain. What was the importance of price? What was the importance of credit? What was the importance of quality? Was it absolute quality? Was it consistent quality? What was the importance of delivery? All of the questions that you could possibly think of that went into the decision-making process. And then once I did that, then I compared them. How did Canada compare against each of those areas vis-à-vis, say, Australia, the United States, or the European Union, or whoever happened to be the major competitors? Did it change by commodity? Was it different for barley? Was it different for canola? Was it different for this or that? And so, I think I then visited, oh, about ten of the major buyers around the world at the--. [...*audio skips*] Participants who I knew. And the response was very, very rewarding, and it was also very interesting in terms of the decisions why buyers buy from Canada.

NP: Can you summarize it? I’m sure there’s a variability, but if you had to give a--.

DS: I would say that probably--.

NP: Three-minute summary.

[0:55:00]

DS: The most significant thing from a buyer's perspective I would say is consistency of supply. Remember that the reason that a buyer is buying is because he does not have enough access to that commodity within his own country in most cases. And therefore, if he has interruptions in supply, then those interruptions in supply cause him interruptions in his processing, which cause then his downstream buyers—whether they be bakers or crushers or feed mills or producers—interruptions in their capacity to be able to program their operations. So the consistency of supply is very, very critical, and it's also one of the reasons why you will find, say, some countries, even like China today, who have over 1 billion people that they're responsible for ensuring that they have sufficient food will have a very significant reserve stock to act as a buffer against those potential disruptions.

The second thing that would be critically important—and I would put these very close together—is consistency of quality. In other words, it's not only the absolute quality of something, and this is particularly so in wheat. It's more so in wheat than it is in terms of, say, your feed grains, and the reason is on a feed grain, most feed grain—whether it be corn or barleys or meals or what have you—are purchased on the basis of least cost feed formulation. So it's actually the nutrients within that commodity which is the important thing. When you start shifting into a product like wheat, the product like wheat produces many, many different end-use products. In this case, it could be visual appearance. It could be the texture of something. It could be the capacity of that particular class of wheat or quality of wheat to blend with the domestic wheat because they have to have that domestic wheat part of their consumption, but it may not be able to produce a certain type of loaf of bread. Therefore, they want another wheat not for itself, but for its capacity to blend into these other wheats. So you've got the absolute quality of the wheat is important, but equally important is the consistency of that quality.

And this has become more important over the years. In the old days when you went into a bakery or something, particularly in the developing world, you would find that the baker was putting his flour into a mixer, and then he would be adding water according to the texture, to his feel, to his sight. But as you get more sophisticated and computerized with a fixed formula, then of course, you're dealing with a consistency that the process itself doesn't change. So if you've got a variability of the flour going into that mixer, you're going to end up with variability of the product coming out the other end, and that's not acceptable. So where Canada's probably greatest strength was and was probably, I think, consistent throughout all of the surveys throughout the world was in our quality control system. I think that Canada--. Certainly, the work the Canadian Grain Commission has done over the years with the development of the grain grades, the monitoring of the grain grades, the relationship between the grain grades and the Grain

Research Laboratory so there is a very consistent quality. When we say something is No. 1 or No. 2 or No. 3, there's no variability from year to year or from time of year even such as there is with many other countries. So our quality control system, I would say, is probably our greatest asset in terms of the international marketplace.

What we found in terms of the Wheat Board at that time, that the Wheat Board did have a very good reputation particularly on wheat. Not as critical in terms of the feed barley side and that in the other areas. And also, it showed that the Wheat Board had made a very good use of the Canadian International Grains Institute so that when the Wheat Board was selling something, they were selling not only the wheat, but they sold a lot of the services associated with that buyer's requirements. This was important during the time that I was looking at it because on the buying side after the war—after the Second World War—many of the buying countries were using state organizations to buy their requirement because of the scarcity of the war. It became a public interest thing. And so, this was responded—, whether it be in Japan, whether it be even in a country like Brazil, almost all of North Africa, most of Asia were all central buying agencies. And yet, during the '90s, those central buying agencies were beginning to be removed, whether it be Mexico, Brazil, Korea. I mean literally all around the world, these central buying agencies--.

[1:00:29]

And I had actually thought initially that the private sector might actually prefer to deal with the private sector on the export side, so your private sector imports, your miller on the import would rather deal with who he wanted to on the export side. And so, what actually happened was that the Wheat Board in many of those markets actually harnessed CIGI and facilitated those mills that had been in a cocoon and basically isolated from the marketplace and now found themselves exposed to the international market and didn't have the knowledge on ocean freight, didn't have the knowledge on foreign exchange transactions, didn't even know what was, say, the variability of wheat classes and grades and what its impact was on end uses. They were, on the import side in almost all instances, the mills received a quota was on the basis of their allocation. When this central buying agency was discontinued, suddenly they were the ones that had the opportunity to maybe increase their percentage of business if they could convince the baker or the noodle maker or whoever it was within their own country that they could better meet their requirements. But they didn't have the technical knowledge to do that. The Wheat Board did a very good job, as I say, of harnessing the Canadian International Grains Institute to develop programs that were tailored to those individual mills to facilitate them in that transition.

And so, in many of those countries, we actually found that there was an increase in the percentage of sales from Canada to those countries with the discontinuation of those central buying agencies. I would say--. But remember, that's 20 years ago. I would say today, that would no longer be the case. But it was an interesting phenomenon at that time.

NP: Who sponsored that review?

DS: The federal government. It was done at the request of Minister Goodale.

NP: And it would be available?

DS: Yes. They published a grain marketing panel report. If you went into Agriculture and Agri-Food Canada's library source, I'm sure they would have it.

NP: You mentioned that you looked at in that study what essentially, I think, becomes Canada's reputation as a supplier of the quality they promised and being able to consistently supply. Who at that time was Canada's major competition on those two fronts then?

DS: Well, the United States is always your biggest competitor simply because of its size. It has a lot more grain available for sale. It has a lot of different classes because of the huge geographic area in which it's produced, and it's exporting therefore in terms of a huge part of the world. You will find some other competitors are--. And I would say that's from a global point of view. In certain specific markets, you may find that it's a certain country. It could be Australia. Particularly if you go down into the Southeast Asia part or even into the Middle East, you will find that the areas that Australia tends to concentrate on and consider to be "their markets" are those within the closest geographic distance from Australia. And as a result, when you go into an Indonesia or into Thailand or into those types of markets that are, as I say, closer to Australia, you will likely find that they will be the most competitive.

If you go into--. You take a country like Argentina. Argentina doesn't have a lot of storage capacity, and as a result, when the Argentinian crop comes off, you may as well stand back and wait for a little bit because they've got to move it, and they've got to move it now. [Laughs] And all you're going to do is just batter your prices, and you're better off to wait a little bit and do it. Each of the different parts of the world, you will have maybe a different competitor mix. There would be the same major competitors, but their degree of competitiveness will vary both in terms of geographic location and in terms of times of year. Your southern hemisphere, obviously, comes off at a different time as does your northern hemisphere, and so you take that into account in your marketing plans.

[1:05:10]

NP: From your experience--. I guess what comes to my mind when you discuss these items is Canada is a large nation with a relatively small group—relatively to the States, let's say—small group of producers, vast geographical distances to get things to

port, distances away from the countries that they are supplying to. How is Canada even a world player given those challenges that don't necessarily apply to the other countries?

DS: Well, I think that you find that every country has challenges, different challenges. When I'm in a place like Argentina or Brazil and go out to their farms, and I find them, say, producing soybean or harvesting their soybeans and then behind that they are cultivating to prepare for corn to go into the ground, so they're going to have two crops and in some places even three crops a year, you kind of scratch your head and wonder how--. [...*audio skips*] Question. Canada has enjoyed a very significant political stability that I wouldn't underestimate in terms of its importance. Maybe showing its importance is the change in Russia from a case where Russia was the largest importer in the world to now where Russia is very much—and the Ukraine, the Black Sea area—becoming a very, very, very significant competitor. In fact, some friends of mine were telling me the other day that the Russians have full page ads in the Japanese newspapers advertising Russian wheat to Japan. But it does show how changes in political systems can have a profound impact. So it's not only your geography and your climate and everything else, it's that political structure.

I would say that one of the reasons that South America-- [...*audio skips*] Because for whatever reasons, there hasn't been that political stability within many of those Latin American countries that have fostered that type of innovation and infrastructure development that's necessary in terms of becoming a global player to meet some of those requirements I talked about just a minute ago. If you're going to be able to provide something consistently time and time again—which is what a buyer wants—of a consistent quality, then you do need to have that infrastructure system right from the plant breeding through every link of the chain, through the producers, your handling and transportation system, through your marketing system.

So Canada's, I think, strength is our stability as a country, but also with that has been a high level of education compared to a lot of other countries, and a recognition of-- [...*audio skips*] If you look at, say, our canola industry right now, our canola industry has got a very, very ambitious target of 15 million tonnes by 2015, which was about double what it was when this target was set up, of which 50 percent is going to be domestically crushed. In the last 18 months, we've seen a huge increase in domestic crushing capacity. I think that as we're entering into discussions on global trading, certainly, I think from a Canadian point of view will continue to be encouraging increased further processing activities and trying to do the export of the further processed product rather than the raw material.

NP: That third tier level you were talking about earlier.

DS: That third tier level. And it's going to be slow. It's not something that's magical, but it's something that's been happening, and it's been happening--. I mean, even when we changed the Crow, there was this--. It reduced those transportation challenges you

talked about where our production area is much further away from ocean transportation than many of our competitors. The Crow in some cases was like the Mississippi is to the United States, which has kind of fed their system. When we removed it, it certainly made it tougher on our grain producers to be competitive because that subsidy was gone, but having said that, we've certainly seen significant increases in livestock product and livestock processing on the Prairies. Our commercial disappearance of barley and these sort of things within Canada has certainly increased and this sort of thing.

[1:10:31]

The important thing is to recognize that markets are very, very fast moving, and things can change very quickly. And therefore, the systems that you develop have to be responsive to those types of changes. And it's one of the reasons even despite the time that I was in government--. [...*audio skips*] I would rather see industry's self-regulation that have some teeth in them than government regulations which might have been very well conceived when first introduced, but after 10 years, 12 years, 15 years, they can become out of sync with the marketplace because the market is changing every day, and they can then create a false economy and doesn't allow the evolution to meet that changing marketplace that's required.

NP: Because I--. This conversation is fascinating—the experience you've had, your connections around the world—but I have a couple of questions that have to do with change.

DS: [Laughs] Yeah.

NP: And that's leading from your last comment about you don't want to get into a position where you need to change, and you can't because there are systems in place. There have been an awful lot of changes within the grain industry in Canada, some of which for some people are creating a fair bit of anxiety and--. [...*audio skips*] For the Wheat Board, changes proposed for the Canadian Grain Commission, particularly the inspection area, and changes in farmer ownership of their marketing areas through the Pools disappearing. So just your general comments, negative, positive, past, future.

DS: I think that the Canadian Wheat Board--. This is certainly walking down a difficult pathway. I've always said with the Canadian Wheat Board that it's probably 90 percent religion and 10 percent economics. [Laughing] And so to get into a discussion about religion is not normally a very healthy discussion to be involved in. But I think that the Wheat Board is a good example of, to me, the challenges a--. [...*audio skips*] When the Wheat Board was first created, when the Act was first passed in 1935, I mean, it came into being for very solid reasons. The Pools, the farmer owned companies, had tried to recreate the first Canadian Wheat Board, which was created in the first war and then disbanded after the first war. But many farmers liked the ideas of an initial price, guaranteed delivery, and paid at delivery, and then getting something later on from the marketplace. And I think that the Pools then

evolved themselves in response to that sentiment, to that feeling, and then they created their own Pools without government support by paying out an initial price, guaranteeing that price, and then in a good year paying out more.

But then when the Depression hit, those Pools nearly went bankrupt. [...*audio skips*] Bankrupt. And so the provinces and the producers went to Ottawa and basically said, “We need help. This is going to sink the whole Prairies.” And so, the federal government came in initially with a dual marketing system where farmers actually had the option to deliver or not, and we went through that era, and it wasn’t until the second war where the Wheat Board became a monopoly power. But the reason I bring that history is because when the Wheat Board came into being, it was brought in by the government as a temporary measure because they expected to return the trade or return the responsibility back to the open marketplace.

[1:15:02]

So with that purpose in mind, the Wheat Board was created as an agency that purposely was said that it cannot have any physical assets. Why? Because the government wanted to make sure that the trade was there with-- [...*audio skips*] Secondly, it had a five-year review clause. Why? Because it was to be reviewed in five years and potentially gotten rid of. Five years after 1935, we were at war, so instead of it being discontinued, it was in effect made a monopoly. But they never changed in terms of the physical assets. So here you had a legislative, regulated envelope that was designed as a temporary system that is still with us today. And although it has had the odd tweak here and there, the basic fundamentals of it haven’t changed other than the ownership factor. Now, in my view, the ownership factors are not sound, and so where you have-- We have created an artificial situation in Canada where we have an agency that’s-- [...*audio skips*] create the infrastructure necessary to be able to achieve its marketing goals.

So with the Wheat Board today, we have a situation where the Act was changed. There have been many different periods as this has grown, evolved. We were talking about Otto Lang a little while ago. When Minister Lang was minister, he was concerned the Wheat Board was becoming disconnected from the producer, and so he created an advisory committee process whereby the farmers could elect advisors to the Wheat Board. He didn’t change the structure of the Board. He still had the five commissioners that were named by the federal government, but they were to listen and take the advice of the advisory committee. So it didn’t have the legal authority of taking responsibility, and the commissioners ultimately could decide to take their advice or not take their advice.

When the new act was created, or-- [...*audio skips*] Advisory committee that created a board of directors, and the board of directors has responsibility for both the private sector and the-- Or not the private but is elected by the producers and in addition the federal government has the capacity to appoint them. When you create a board of directors that are elected, that board of directors now has a responsibility to their own constituents. So here you have an elected board that is responsible to its constituents. At the same time, you have a board that owes its very existence to the government of the day, and owes its funding to the

government of the day. Its capacity to be able to fund the initial prices is contingent upon the federal government providing a guarantee associated with that or on its credit applications or what have you. [...*audio skips*] Parliament has enormous responsibility and potential risk associated with the operations of the Canadian Wheat Board. If they establish an initial price and the market goes down, then it's the taxpayers who are responsible for that loss, not the farmers.

So there is an accountability to a minister because of the minister's accountability to Parliament. The Board might say that they are responsible to Parliament not the minister, but it's the minister that's responsible to Parliament, not the Board. So the minister needs to be able to have the confidence in the board that the board is acting not only in the producer's interest, but is also acting in the public interest, which he is responsible for. And those two usually are together. Sometimes there can be shades of differences. So when I saw this proposal, I felt that you're creating a strange beast here. [...*audio skips*] For what? And when you get a situation, which is what has evolved, differences between ministers and the board, it's not a healthy situation for anyone. And so because of that, from my point of view, when I saw those changes when they were first brought in, I actually made a few phone calls about them. [Laughs]

[1:20:09]

NP: These are the recent changes suggested--.

DS: The changes to the act. Not the most recent ones. The ones that were brought in--. Actually, Minister Goodale was the minister at the time when they made those changes in the corporate structure of the board. You've got a situation now where I am not certain the board can exist into the future under its current structure. And I say that--. [...*audio skips*] there was a time when I had hoped that the three Pools could have merged as one Pool and have in effect had the government return the responsibility back to the Pools from where it originally came from. And in effect, this temporary period, rather than it being five years, was 70 years or whatever it was. [Laughs] But that to me would have been the appropriate solution because that then would have returned the appropriate marriage between the exporter and the handler and that producer for those that wanted to participate.

NP: What comes to my mind in that comment is then what is--. From my understanding of how the Wheat Board works and the fact that the--. [...*audio skips*] been a certain cooperation between the Wheat Board and private grain companies that has worked a little bit in both of their favours in that they have the business going through. So in light of what you just said about what you had hoped would happen was that the Pools take over, then what would have happened to the private industry in that circumstance?

DS: Well, let me put it this way. If I go back to when I started in this industry as a member of the executive of Federal Grain Ltd. in the '60s—and I recognize it's 40 years ago—but I suspect things haven't changed enormously. There was no question that we

played an important role as an agent of the Wheat Board, but one of the reasons that Federal gave such a very high priority to the development of the canolas of this world and the non-board grains and the special--. [...*audio skips*] Because that gave the company the potential capacity to be able to service the producer directly, provide inputs to the producer. It gave us the system to be able to move it right through the entire system right to that buyer. So we could go to Japan and sign a buckwheat contract and come right back and move the system. If we're dealing with the Wheat Board, what you are dealing with here is you negotiate a handling agreement which you have very little authority to be able--. Because the Wheat Board are holding most of the cards in those negotiations.

So yes, you service that, but if you are sitting there and if you had--. Put it this way. We would have ensured that our own sales commitments were met because we were responsible for the whole thing, and therefore, they would have been given priority in moving through the whole system. If you end up with a dual marketing system, I would suggest that if those grain companies had made the wheat sale—which there's no reason they can't make the wheat sale in an open competitive marketing mode—then they are going to ensure that they are making those commitments in the same way they're making sure their canola is making their commitments. If a vessel is scheduled to meet their requirements, it's going to be met. I'm just saying that the challenges of the Wheat Board will be difficult. They will have to enter into handling agreements, yes. No question about it. But those--. And they may have to create their own physical assets to be able to do the job. It's just not as clean a hand-off because the Wheat Board, as it exists now, is an artificial structure. It's not a natural structure. It's not a natural economic function it's performing. It's performing an economic function because of law, not because of the marketplace.

[1:25:04]

So when you change those laws, you change those regulations, you end up with often significant ripple impacts that people don't always recognize or forecast are going to happen before they occur. So the challenge associated with the change in the Board are significant. I'm not saying they shouldn't happen. I'm not saying they should happen. I'm saying that as they happen, that people need to put their heads together and look and examine what all the implications are associated with it. I know I have children. My children farm. They're big farmers, and the farming situation that evolved the Canadian Wheat Board is vastly different. My children don't phone me up and ask me what's going on in the marketplace. They might ask me about something technical in terms of market access issues, but heavens, they're up at 5:30 in the morning and on the internet and have read every possible thing one could imagine vis a vis market situations globally. They're the ones that know more about the day-to-day marketplace than what I know.

Sixty years ago, the farmer in Wapella, Saskatchewan was totally isolated from that marketplace and needed that benefit. And I'm not sure that those circumstances are--. And the trouble you have with government and monopolies of any type, they create a

regulative envelope around them that maybe service the immediate needs of that monopoly, but they also remove the individual management freedom capacity to make the decisions that are necessary in a very, very high capital-cost infrastructure. Remember that farming is one of the most capital intensive industries that exist today, and so the regulations associated with delivery, with marketing and so on are not the--. The farmer is restricted in his capacity to manage his farm operations and his cash flow management, et cetera, because of those regulations. So where you have--. It's a difficult issue. There's pros and cons on both sides of it, but my own feeling is that the arguments for the Wheat Board today are not the same arguments for the Wheat Board when it was created.

NP: Again, because of time—because we could spend a couple of hours just discussing the arguments for and against it—the Canadian Grain Commission changes that are, I think, they're still making their way through the system. I'm not sure if they're passed yet for the changes in the inspection. What are your thoughts on those changes?

DS: I think these ones are not anywhere near the significance of the Wheat Board change. It's been a while since I've looked at them intensely, but as a general statement—I think I said this at the earlier interview—one of the biggest challenges we have is the interface of government regulations and free enterprise or business, whether that be at the producer to the elevator with the Grain Commission interface, whether it be at the terminal elevator and the interface with the marketplace in terms of the export side or domestic side. I think that as the industry consolidates and moves forward, the other thing we have to be very careful about is we have to ensure we remain competitive in terms of costs. And so, while we have--. As you put layers of different requirements that have to be done by government, you really have to ask the question as to is that layer necessary, and therefore, are the costs associated with its delivery of that service necessary?

And if you have a train that's 110 cars—not like the old individual cars coming out of the old elevator system of 30 years ago—but 100 plus cars going from one company into that same company's terminal elevator, what is the value added necessary of having the Grain Commission unload those cars or sample and test those cars when it's coming from one company to another company? If that requirement is necessary, it's still available if the owner of the grain requests it. So if it's a case, say, of the Wheat Board wanting it in order to confirm on the basis upon which it's going to pay the grain company for the money it advanced them to pay the farmers' initial price in the first instance, that should be a commercial requirement defined by contracts rather than necessarily defined by legislation and requirement and so on.

[1:30:32]

So the problem—it goes back to what I said a minute ago—is that there are times where it is--. I'm not saying that there isn't need for acts or there isn't need for legislation, isn't need for regulations, but where you can create an environment where something

becomes self-regulated, that self-regulation usually brings about a much lower cost situation than it does if it's through regulation. And it also allows evolution, which the regulation doesn't allow. So as a general principle, I'm one of the ones that kind of likes to see governments and political parties be prepared to go into acts and open them up, even though they know they're going to be getting, "We want the status quo. We want the status quo. We want the status quo." Is that if governments didn't do that, then our industry would not be able to evolve, would not be able to introduce the innovations that we need today. So yes, as you do that, there is a risk. There is a risk that maybe you're going to undo something that maybe shouldn't have been undone, but there's, I think, a greater risk on the other side that by keeping everything and not changing these things that you are going to stifle your industry, and you're going to become less competitive, and therefore--. And it's very difficult to prove, and that's the problem with it.

So to me, you're going to get some people on one side. I often say to people, I mean, I've worked for governments of different political parties, and to me, the key is that you have to keep refining that interface between government and industry, and you've got to find that balance. And it's a hard balance to find, but that's essentially what's going on here, and I like the process.

NP: Yeah. When we look at the magnitude of changes—you know, not just the Wheat Board potential for change, the Grain Commission potential for change, the Pools disappearing—the power balances seem to be shifting. Is that fair to say?

DS: Oh, I think it is. But this is a good example, in my view, of what I was just talking about. In 1995 or '96 when the Crow was changed, there wasn't a single person there around the table, I'm certain—at any table, any place—who thought that the Pools would not be here ten years from now. And yet, that's what's happened. And in my view—and I'll probably be the only person that thinks this, and I don't know if I said this the last time or not—but in my view, a significant contributing factor to that was the change in the Crow Rate, that the Pools were the ones who said, "No, we don't want to see that changed" for the reasons I said earlier. There was no question it made our grain sector more competitive by isolating the farmer from the real costs associated with the production and marketing of his grain. But when that decision was done--. And it was done for more fiscal reasons than it was done for economic reasons because we had such enormous debt in the federal government that all departments had to be slashed 20-25 percent. Huge. And you had to then ask yourself, "What was the core function that you were here to perform?" And the Crow, in effect, was moved off the table as an export subsidy, which it was.

Now, the impact of that is that the Pools by resisting it had not begun to modify their operations, recognizing that without the Crow the difference in rail rate costs between minimal car spot and 100-car spot was going to widen out enormously. And so, they suddenly found themselves in a position that if they were going to retain their percentage of business, they suddenly had to build these new elevators that could handle these 50-100 cars. So they went out, and they had to borrow money to be able to finance those things, and over time, they found that they couldn't sustain that. So they ended up like UGG going public. Sask Pool went

public. The three Pools I'd hoped would come together, as I said a few minutes ago. For a whole host of reasons, they couldn't come together—much because of personality reasons than anything else. They couldn't come together.

[1:35:29]

And with not coming together, Sask Pool, I say, went on its own pathway. You then had Alberta Pool-- [*...audio skips*] If anything in the largest grain production area in the country. So then they started building some new facilities and so on. In the meantime, Sask Pool started doing things in Manitoba and Alberta. [Laughs] So we've got all of this huge expense that came up, and out of that huge expense, they needed to develop new financial arrangements to finance it, and it meant going public. And once you go public, anything can happen in terms of ownership changes. And so, we ended up with Agricore going as part of United Grain Growers to form Agricore United, but a public company. That then created the opportunities. You already had Sask Pool, and it wasn't long before your farmer owned companies became a thing of the past. Is it good? Is it bad? I don't know how you measure those things.

NP: Time will tell.

DS: Time will tell. I think that it will probably mean a greater role for some of your farm organizations that exist. The important thing is that it is one of the problems we had a little bit with the farmer organizations in my view was the farmer organizations had a strong tendency to view their elevator system as an extension of their own farm system. Therefore, they would basically build elevators or build facilities to allow them to get quick delivery off their farm. The key to a marketing organization, which ultimately is the greatest benefit to the farmer, is the organization that's looking at the marketplace determining what the marketplace is requiring and then coming upstream to bring forward what the marketplace needs. As that marketplace changes, your call for bringing forward changes. The trouble with viewing it as an extension of the farm is you're isolating yourself from what's happening in the marketplace. And so, to me, one of the advantages, if you will, of having a more marketing focus is, I think, opportunities, and I think in some cases doing well--.

Which brings me to one more point, and then I'm going to have to go, but that is you're talking about market access is that one of the challenges that we're facing now in Canada—probably one of the most significant challenges we're facing—is market access issues. Back when we were talking earlier about my time as an ADM, most of my time was focused on farm income, as I talked about. Today, the challenge isn't the farm income. The challenge is the market disruptions that are occurring throughout the world. Yes, we still have some important tariff issues we need to resolve in terms of WTO [World Trade Organization] and these types of things.

NP: We being--?

DS: Canada.

NP: The inter--. Oh, Canada.

DS: And the international community largely. What I'm getting at here is we're seeing now an increasing growth of non-tariff trade barriers that are beginning to cause severe strains on our trading relationships.

NP: Examples?

DS: Triffid flax is a product that was created at the University of Saskatchewan back in the '90s. It's a product produced through modern biotechnology. It went through risk assessments in Canada and the United States, was deemed to be safe and therefore authorized at 100 percent consumption in Canada and the United States. The industry at the time, when it became aware of it, was concerned because the European Union had a zero tolerance level for an event that they had not authorized, and they were not authorizing GMO events at that time with any degree of speed. So the industry was concerned that we would lose the European market and therefore attempted to acquire all of the known seed stocks before it became commercially produced and had actually thought that they had achieved that objective.

[1:39:51]

This summer, the triffid flax was discovered in Germany in some bread products, and they have a system--. [...*audio skips*] They immediately put into quarantine any Canadian flax that was there, and therefore Canadian flax shipments had to stop. At the same time, when you look at this situation, we've now developed an EU-Canada flax protocol, but it had to be based on EU law. EU law has a situation whereby they, for an unauthorized event in Europe, they have a tolerance of 0.01. To give you an indication, that's one seed in 10,000 seeds. In addition to that, they have a sampling testing regime that requires the sample of each lot of grain to be subdivided into four. If any one of those four subsamples shows positive at 0.01, it means it's positive and noncompliant. What that means is one seed in 40,000 seeds will deem that lot noncompliant.

That means that you've got a situation now--. [...*audio skips*] To animal feed safety. Zero relationship in terms of environmental safety but is there because of regulations that we were talking about. They can't change their regulations right now. The law has to be changed. So here is a case of what I'm talking about is a regulatory envelope that is developed for one era may be totally out of sync. We think we have problems here in Canada. Imagine if you were in Europe and a European farmer.

Here's a situation. They discovered three unauthorized events from US corn in soybean shipments from North America to Europe in the dust. So this 0.01 is so small that it is in effect picking up dust particles. Well, coming from Thunder Bay, you cannot handle any grain without some dust--. [...*audio skips*] Can't secure enough protein to feed their animals, so they are in severe trouble and having to cut back their meat production. In the meantime, in order to fill the deficit, they're importing meat products out of Brazil and other countries that are consuming exactly the same materials that are being shipped into and are not allowed to go into Europe.

NP: When you say they can't change the law because it would seem then that they would be getting internal pressure to--.

DS: They are, but I'm just saying laws are hard to change.

NP: And are they European laws or German?

DS: European laws.

NP: So it's the whole European market.

DS: 27 countries have to agree.

NP: Hm. So these were the marketing issues or market access issues you were referring to earlier?

DS: These are just illustrative as a market access issue. So what I'm saying is that we have a situation today where these products produced through modern biotechnology—which in my view is an important tool to be able to harness to develop the type of products that will meet the changes that are occurring because of climate change and increased variability—this technology has got to a stage whereby the international regulatory framework that has evolved to manage it is totally out of sync with the reason why the framework is required, which is to protect peoples' health or protect their animals or protect their environment. But at a zero-threshold level, it has gone to a stage where it has completely stopped international trade. Same thing has now happened in Japan is that we're not shipping any flax to Japan as we speak this moment. There is a dramatic need to create a low-level presence policy around the world for those events that have been authorized.

NP: I'm not quite certain what that means.

DS: I'm just going to explain it.

NP: Okay.

DS: A low-level presence policy would be a policy that is developed to manage the risk assessment/ risk management procedures to be employed by a government on the occasion where they may have--. [...*audio skips*] But has been authorized in one or more countries. And the reason is once an event is authorized for commercial production, it's only a matter of time because of all the comingling that occurs in the seed or on the farm or in the handling and transportation system globally that that event will begin to show up in international shipments. So rather than pretending it's not going to happen, you have to A, accept the fact that it's going to happen, and then you have to develop a policy to manage it. And that policy must be designed to minimize the risk to humans and to animals and to the environment, but it also has to be designed to minimize the risk of trade disruptions because if that country was a country that was totally dependent upon those shipments for its food supply—going back to that very early discussion we had today about the reason buyers are buying—you could be jeopardizing that country's capacity to feed its people.

[1:45:23]

So there is a need globally. Now what we've done in the Canada Grains Council, we've facilitated the creation of 22 trade organizations, and we are essentially developing such a policy, and we're having discussions with governments around the world about how such a policy is imperative to be able to be introduced. Otherwise, these trade disruptions are going to significantly impact the food security crisis that we're facing. Now, those are the shifts, say, from tariff issues into market access issues that need to be addressed in today's world.

NP: Now--.

DS: But I've got to go.

NP: Just one last question about that--.

DS: I'm on another call.

NP: If you have good faith that the regulations put in place are for health protection of a population, but there's suspicion on the part of those who are delivering into the country, that is really just a non-tariff trade barrier.

DS: Right.

NP: How do you overcome that? Because isn't that just the same old, same old as far as various rounds of the WTO?

DS: One of the things that we're certainly trying to do is to the implications of this to their ability to their ability to secure their supplies. When you're involved in these types of discussions, it's very important that you put yourself in the other person's position and understand where they're coming from, and by understanding where they're coming from, you try to find a pathway to bring it together.

NP: Thank you very much. I understand you fit me into a very busy schedule. [Laughs] Thanks so much. I appreciate this.

DS: My pleasure.

NP: I'll give you a call just to follow up because I have just a couple of general questions that I wanted your advice on. Thank you.

DS: Okay. There's a debrief on market access that I have to be on. [Laughs]

NP: Okay. Thanks so much.

DS: Thank you.

NP: Bye-bye.

DS: Bye.

End of interview.