

Narrator: Ian White (IW)

Company Affiliations: Canadian Wheat Board (CWB), Allstate Grain, Elders Grain Canada, Elders QGGA Grain, AgPro Grain

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Summary: In this two-part interview, CEO of the Canadian Wheat Board Ian White discusses his career in both the Australian and Canadian grain industry. In the first part, White describes his entrance into the Australian grain trade in the accounting department for Elders QGGA Grain, working up to chief financial officer. He recounts the Elders IXL company's desire to become multinational in its agribusinesses, and how he became the executive vice president of their Canadian grain acquisition, Allstate Grain. He then describes Elders' divestment from its international businesses, and how he then became CEO of AgPro Grain under Saskatchewan Wheat Pool. In the second part, White begins by discussing the differences between the Australian and Canadian grain industries. He tells the story of Australia's grain system deregulation, the increasing competition between grain exporter nations, his being the CEO for various agribusiness companies, and his return to Canada as CEO of the Wheat Board. He shares what he learned about the Wheat Board's operations, his responsibilities, the Wheat Board's interactions with industry players, and their sustained interest in grain quality research. Other topics discussed include Canada's unique grain marketing package, changes of consolidation and rationalization, the Wheat Board's investments in lake ships, and the shifting markets away from the port of Thunder Bay.

Keywords: Elders Grain Canada; Allstate Grain; Canadian Wheat Board (CWB); Elders Grain IXL; Elders QGGA Grain; AgPro Grain; Saskatchewan Wheat Pool; Agricultural economics; Grain accounting; Agribusiness; Grain marketing; Multinational corporations; Malt brewing; Foster's Beer; Country grain elevators; Inland grain terminals; Consolidation; Grain farmers/producers; Grain farmers—Australia; Special crops; Grain varieties; Australian Wheat Board (AWB); Grain handlers; Deregulation; Single-desk marketing; Canadian International Grains Institute (CIGI); Farmer meetings; Canadian Grain Commission (CGC); Canola; Grain research; Grain export destinations; International trade; Grain transportation—rail; Grain transportation—ships; Thunder Bay; Vancouver

Audio Part One

Time, Speaker, Narrative

NP: Good afternoon. We are very pleased to this afternoon be interviewing Ian White, who is currently the chief executive officer of the Canadian Wheat Board [CWB], in his office on Main Street in Winnipeg, Manitoba. I guess we'll start this afternoon's interview by asking you to describe a little bit about how you got involved in the grain trade. Not necessarily just the Canadian grain trade.

IW: I think it's probably from my career's point of view important to just describe the early days of my career. I had, actually, been involved in part-time—in Australia—part-time farming and some agricultural pursuits privately. I basically left the workforce and was doing some farming with a partner, and it was at a time in the '80s when prices were not that good. It was decided because I had the best qualifications that I should probably look for a job. I was an accountant before that. So I was fortunate enough to get a job as a grower-payments accountant at a company called Elders QGGA Grain into Wamberal in Australia. This company was an offshoot or a subsidiary of a larger Australian company at the time, and quite a successful one, called Elders IXL.

As I've been out of the workforce for a number of years, and I was in my early to mid-thirties, I was able to take-- I was looking for whatever job I could get in this town, and I knew a little bit about the grain trade, so I think I was sort of appointed because of that. I fairly quickly moved through that company because I had a lot of experience in any case, and I was started in a fairly lowly accounting position, to become the commercial manager of that business and then the chief financial officer of that business. They were trading grains mainly, in those days, crops like sorghum and sunflowers, special crops, and not very much wheat because the wheat was all controlled in those days in Australia by the Australian Wheat Board.

The Elders IXL company had an agribusiness section which we were part of, and they decided to expand their grain business into the US and Canada and other parts of the world. They bought a business in Canada called Allstate Grain. I think it was 1987 or something like that. I was the token Australian to come up and be at the business on behalf of the head office in Australia. They had bought some other grain businesses in the US and had a head office in Kansas City, and so I was the Canadian manager so to speak at that time.

There was a president of that company and a senior vice president that were previous owners of the business they purchased and who were actually the main operators of the business. Over a period of a couple of years, those people actually left the organization, and I became the president of the business. I think it was called executive vice president in those days of Elders Grain Canada. We were mainly a special crops trading business. We were based in Vancouver, and we purchased a number of cleaning plants in the Prairies, the large Moosejaw ex-government grain terminal, and a number of other businesses, including an oilseed crushing plant in Montana and sunflower processing plant in North Dakota.

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Within a couple of years, Elders IXL decided to sell all of its agribusinesses around the world. So I was asked to dispose of the business in Canada. After a negotiation, I sold most of the business to the Saskatchewan Wheat Pool in terms of the assets, and most of the assets. We managed to dispose of the trading activity substantially to a company that was owned by the Prairies Pools in those days called XCAN Grain. Sask Wheat Pool asked me to go and work with them, basically in the transfer of the assets into their business, and they started a company called AgPro Grain, which I became the first CEO of, which was a subsidiary of the Sask Wheat Pool.

So I had a grounding in-- This was basically the years from the early to mid '80s through to about 1991. I had a fairly interesting grounding in the Australian and the Canadian grain industry at that time, both from a financial aspect and from a management point of view. So I learned an awful lot about the grain trade in those days. I became a member of the Winnipeg Commodities Exchange. I suppose I learnt my grain trading knowledge—and I would class myself as a grain trader at all—I learnt my grain trading knowledge from having to account for it in my early career, having to sit beside traders and be able to account for their profit and loss and their hedging activities in a fairly small company, which was Elders Grain at the time.

It meant that I had to actually spend long hours understanding exactly what they were doing. I progressed in the early days as a commercial manager of that business to taking all their currency positions and hedging the Australian dollar, at that stage, through quite volatile times. So when I came to Canada, I already had a number of the risk management skills or ideas that meant that I had good grounding in the trade.

NP: I have some questions based upon what you have said about the move of Elders from an Australian company to a multinational, I guess. What led them to want to make that major expansion?

IW: Well, the Elders IXL company—that was the parent company—they were a large Australian conglomerate well-known in Australia at the time. Had a very high-profile CEO who was, at the time, also almost a business celebrity in Australia because they'd done extremely well. And the Carlton & United Breweries, which the flagship brand was Foster's. So they had a view of taking the Foster's brand worldwide, which they did. Bought businesses in Canada. Labatt's was one of those businesses. I remember being involved in the financing of that because I was one of the few Australians in Canada at the time. [Laughs]

They had a view that they wanted to take a number of their businesses global, and in the agribusiness area, they had a brewing materials area that was a flow from their brewing business. That was a company called Barrett Burston. They bought malhouses in various locations around the world, and they had a view that they could trade grain, basically, based on their Australian experience

and some of the people they had, which were people who had worked for other grain companies in North America. They had a view that they could actually do well in grain in North America particularly. They ended up buying quite a number of facilities and grain elevators and facilities in the US.

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NP: Was it strictly looking at the profit and loss statements of the companies that they were looking to buy, or did they have some sense of certain types of companies? For example, the businesses they were in were likely to serve them well as opposed to being duds?

IW: I think they had a view that they wanted to grow. They had been growing the Elders IXL business by acquisition, and they wanted to grow that business in the grain industry by acquisition rather than organic growth, and they just looked for-- I think at the time, they really just looked for likely targets to buy. I think they probably looked at the Canadian landscape, and none of the main businesses at the time—the main family businesses or the Pools—were for sale, and so there was a business, which was a special crops business, for sale. So they thought they could use that as a springboard to get into the mainstream grain industry in Canada.

NP: Was Allstate a publicly owned company or was it a family company?

IW: It was a privately-owned company. I think there were four main partners who had started that company and taken it to a position of reasonable prominence, at the time, in the special crops industry.

NP: You mentioned the beer business. We haven't done a lot of interviewing on the beer side of the grain industry. We're really looking forward to that, but given that you mentioned Foster's beer and the buyout of Labatt's and that you were fairly close to the action, was there much difference in the beer industry in Australia versus the beer industry in Canada?

IW: No, I don't think so. I think the same sort of idea was the case in both countries. A few well-known brands. They, of course, wanted to buy brewing facilities that could make their Foster's brand. So that was part of their sort of growth strategy. They felt that if they could bring a Foster's to prominence around the world, that would provide them with additional growth as well as the brands of the companies that they were buying. So they bought businesses in the UK very extensively. Then they had the Foster's brand made under contract by other businesses in other countries.

NP: So when you said they were looking for a company that could make their brand, why wouldn't any company be able to make their brand?

IW: I think there were two parts to the business. They were already a fairly successful brewer with other brands in Australia, not just the Foster's brand. In fact, at the time, Foster's wasn't their main brand in Australia. I think they felt that owning breweries, there was good profits to be made, but they also wanted to brand their product very, very well. And so, branding of a particular beer, going global with that, I think they felt that was one of the things that they had seen some of the European brewers—Heineken and others—doing. Carlsberg, et cetera, doing that. I think the view was that they could emulate that sort of growth. And they became a very substantial brewing company when all was said and done in world terms, I think, at that time.

NP: So if I'm following the action, they bought a number of interests and then, at some point, not really too far into the future, they then divested themselves of it.

IW: Yeah.

NP: So tell us a bit about how that came about.

IW: Yeah. I don't really know. I was not part of their senior management grouping that decided that. I think they felt that by selling off parts of the business and by breaking up the business—it was a conglomerate company—and they felt that they could probably make greater value for shareholders by doing that than keeping it altogether. I think they also recognized that in terms of running a publicly traded company, grain businesses are inherently risky, and there are profits and losses to be made. We'd been through some fairly volatile times through the US drought of 1988, soybean prices and corn prices had gone quite high in historic terms. There was money made, and probably on the way down, money lost.

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I think they felt that as a use of capital in a publicly traded company where you're reporting basically every quarter to shareholders, and your share price is going to fluctuate based on some of the information you give. Just being in the grain trading business in particular was a pretty difficult thing to be in. So I think that might have played heavily on their minds at the time, but I think they basically disposed of a lot of their businesses through a few years after that.

And the company, actually, the Elders IXL company changed dramatically. Their beer business was spun off into a separate company. A publicly traded company in Australia called Foster's is still a company in Australia. The Elders part, which was a large

real network of rural supplies and local auction marts, et cetera, basically in every town in Australia is still in existence as its own publicly listed company. So I think, eventually, the company broke up into pieces that were more easily able to be understood by shareholders rather than a large cooperative.

NP: You mentioned that you then moved into a position with a spin-off company associated with the Saskatchewan Wheat Pool, AgPro.

IW: Mhmm.

NP: What was AgPro's business in relation to the usual business of a Pool?

IW: Sorry, I'm going to cough. Sorry.

NP: Oh. Are you stopped? In that instance, we'll go to a new thing. So we'll now be starting a new track. That's not a problem, but for next pause, press that one. Okay. Great. That's the usual learning curve. [Phone rings] Oh, there we go.

MM: Stop? Okay.

End of part one.

Audio Part Two

Time, Speaker, Narrative

IW: Well, the idea, I think, with AgPro was that at the time the Saskatchewan Wheat Pool was just starting to undergo a very significant rationalization of their country elevator network, and they had purchased a number of facilities from Elders Grain. The main centrepiece of that was the large, old government elevator in Saskatoon, and they had also purchased from another company in Canada the same style of facility in--. Did I say Saskatoon?

IW: Okay. So I'll just pick that up again. I think they thought that they wanted to just start on the rationalization of their very extensive and old elevator network. I can't remember how many elevators they had particularly in Saskatchewan at the time. What they purchased from Elders was the large ex-government elevator in Moosejaw, and they'd also purchased from another company

the same sister facility in Saskatoon. So they thought that these were so different from anything else that they had purchased that they would set them up under a separate subsidiary which wasn't dependent on the same level of elevator network that they had.

I think part of the strategy was to draw grain so that they could rationalize some of the smaller elevator networks in the surrounding districts. They also wanted to have a vehicle for other business that they were thinking of doing. I eventually put fertilizer outlets under that business and other, not necessarily related businesses under the AgPro label. AgPro is now pretty much gone from the country. Viterra has labelled everything with the Viterra label, and that's understandable. But I think at the time, it served quite a useful purpose differentiating that style of operation, which was the large inland terminal operation, from the smaller country elevator.

NP: Those elevators, by the way, are part of C.D. Howe's initial elevator construction, the first one being in Thunder Bay. I think there may have been five in total built, and I think they may almost be exactly the same.

IW: Probably, yeah.

NP: Floorplan. [Laughs] So I'm glad to see they were still in use.

IW: Still in use today.

NP: Yeah. I don't know when the best time to ask the questions about your view of similarities and differences between the grain trade as practiced in Australia versus how you've come to see it practiced in Canada. Would this be a good time for you to comment on that?

IW: Yeah, fine. I can give you some of my thoughts and perspectives on that. The Australian grain trade typically was characterized by mostly large government and cooperative-built regional storage handling monopolies in each state of Australia. These were generally quite good and large facilities that are mostly still in existence, apart from where there's been necessary rationalization. But in each state, like your provinces here, there was an infrastructure, both country and port, and it was either built by government or semi-government grain elevator companies, or in a couple of instances—western Australian and south Australia—large grower cooperatives.

They basically dominated the handling and storage landscape, so there was no real additional handling facilities at all in the country. Farmers would harvest their wheat, in particular, and take it directly off the combine to the storage facilities in the country. Very little on-farm storage. You might have to deliver over a short period of time, but generally, you got your deliveries in not long

after harvest had finished, except in a very large year, when, in any case, the central storage system would construct very large outdoor grain pads to deliver grain onto from the farm.

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That's quite different than the Canadian situation where you didn't have a massive amount of elevator total storage capacity. On farm storage was more the norm straight off the harvest. Recognizing that the Australia harvest, the wheat harvest, is being harvested into the summer. So the longer you go, generally, the more elongated the harvest is, it's not as desperate a time as in Canada because it just gets drier. So the grain is typically at a much drier moisture level coming off the harvest than it is in Canada. So I suppose in a typical Australian sort of fashion, the Australians are not as worried about getting their harvest off as would be in Canada a very short window.

NP: Do they have the same extent of drying equipment then, or they just never needed it?

IW: There is drying equipment in Australia for those odd years, but it's much harder to come by. Mostly you wait until the grain is the right moisture, and then you just start your harvest. The harvest in Australia tends to go from north to south on the East Coast, a bit like in the US. So it starts in the northern part of the grain belt and goes to the southern part of Australia in Victoria, and through that time, the grain is drying and summer is coming on.

The other characteristic in Australia is that there was less options for growing in the main. Most farmers in Australia have fewer options, or had fewer options, before probably canola came along. And probably in Canada, much more emphasis here other than wheat on barley and special crops, whereas in Australia barley was certainly a well-grown crop, but the special crop aspect was nowhere near as prevalent as I saw it in the '80s in Canada. So there's some quite big differences.

In Canada, there are always the large—early on in *[inaudible]*—there were the large grower cooperatives, the three Prairie Pools, and a number of private grain companies. Very few public grain companies. In Australia, we had the Australian Wheat Board, similar to the Canadian Wheat Board, but the actual remainder of the grain companies was quite small by comparison because mostly farmers grew wheat or barley. And the barley, up until the '90s, the mid '90s, was generally also controlled by state barley boards, which had acquisition rights. So there was less of the private grain trade in Australia than I saw when I came to Canada. So this is quite big differences when you look at both industries.

We're both competitors with the wheat side of things, with good quality wheat, but we tended to be in different markets just because of the types of wheat we had grown. Protein levels and so forth country to country, it tended to be different markets.

Australia was much more heavily, with its lower protein wheats, much more involved in Asian and noodle markets and so forth than Canada was. Canada was much more in the high-quality grain markets. Australian wheat being a white wheat was more suited to some markets than the Canadian wheat, which was a red wheat.

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So we were, in a sense, the two countries, in a sense, were in a way slightly complementary rather than being major competitors. Although, I know we were major competitors in the wheat market in countries like China in the days when China was really taking off their main wheat purchases.

NP: You mentioned the Wheat Board in Australia. Did they always have a Wheat Board? Was it--?

IW: Similar time frames to the Wheat Board in Canada. It was probably introduced for similar reasons. It was a *[inaudible]* of the old institution Australia like it has been in Canada. The ideas about changes to the Wheat Board were not as political in Australia as they always have been in Canada and remain in Canada to be. But one thing that did happen in Australia was that in the early '90s, the Wheat Board in Australia decided that, I think with the government and with the farmer organizations, decided that some of their practices may be unsustainable going forward. Government guarantees, for instance, on borrowings, the single desk for the Australian domestic market, which is really an island market.

And so, they made changes to the Wheat Board in Australia right coming back starting in the early '90s that meant that it was a sort of steady path of change that eventually led to deregulation entirely a couple of years or a few years ago. But there was much more of an industry discussion about that, a constructive discussion about that, at the time, rather than--. About what would be the best way forward rather than, I suppose, what I've seen of the Canadian situation, which seems to be more about entrenched ideological positions.

NP: So is the Wheat Board in Australia no longer in existence, or does it continue as a voluntary--?

IW: The Wheat Board in Australia became a publicly listed company. It went into other business areas. And basically after the scandal associated with the Iraq Food-for-Oil scandal where the Australian Wheat Board was heavily caught up in payments to the old Saddam regime, it was decided that wheat should be deregulated. And so, wheat was, actually--. The whole business was deregulated. The Australian Wheat Board today has just been purchased—as a public company—was acquired last year by Agrium from Canada. And a grain business, I think, is just in the process of being sold to Cargill.

NP: If I have this right—and correct me if I’m wrong—the wheat delivery system in Australia was set up as a government function, and they would have fed into the Wheat Board. So when the Wheat Board was, I’ll call it, deregulated, what surfaced then to take up the slack?

IW: Well before that in the early ‘90s, the grain handling systems on the East Coast, which had been sort of semi-government-built facilities, were substantially given back to farmers and formed into grain handling companies. In Queensland, in New South Wales, and in Victoria, those facilities were--. It was recognized that farmers had actually paid through their handling and storage charges for those facilities over a long period of time. Governments actually wanted to get out of the business of being involved in these facilities, so arrangements were agreed that they would basically either be sold to or given back to farmers. Farmer companies were formed. They were generally not cooperatives. They were generally public companies, but they had farmer ownership.

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So I actually went back from Canada after the Sask Wheat Pool days in the early ‘90s to run the newly-forming Queensland version of these, which was a company we decided to call Grainco, which was basically putting the grain handling facilities in Queensland together with the then state barley board or sorghum marketing board and actually, another organization called the State Wheat board, which ran seed and crop insurance. We formed a grower company out of that and gave the farmers shareholding.

And in New South Wales, around about the same time, the government put its handling facilities up for sale, and a grower organization in New South Wales purchased that and formed the company, which is still in existence, called Grain Corp. In Victoria, a similar thing happened. Grain Corp now--. Back in the early 2000s, Grain Corp finally purchased or acquired the Queensland company, Grainco, and now owns all of the East Coast handling facilities.

The handling facilities in Western Australia, which is about 40 percent of Australia’s wheat crop nowadays, were built by a grower cooperative, Cooperative Bulk Handling [CBH] in Western Australia. It was always a grower cooperative, and it’s still a cooperative not a company. In South Australia, a grower cooperative was formed, Cooperative Bulk Handling. Eventually, that company changed its nature and is now owned by Viterra. That’s the acquisition that Viterra made a couple of years ago in Australia, and that’s basically the south Australian handling assets.

So all of those things, all of those changes, were happening through the ‘90s to change the nature of those businesses into more from a government-owned or from the all-cooperative style to more modern style ownership structures—generally farmers being owners. They also got into, rather than just grain handling, they got into other businesses and grain trading.

NP: How does a company set up that is producer-owned, can the owners not sell their shares and then, over time, the company is not owned by the producers?

IW: Yeah, yeah.

NP: Is that a concern or just inevitable?

IW: I think if you get into the very standard and sort of rigid cooperative style ownership, then that probably means that it could stay that way for a very long time. But you form a company structure and you have shareholdings, and you also need to think about growth and need for capital—invariably this happened in Australia with a number of these companies and, actually, the AWB Ltd.—that outside equity is brought in from the marketplace, new classes of shares are created. They're more publicly traded. Eventually, growers look at that and say, "Why can't I benefit in the value that is there in my shares?" And eventually, those shares are listed as well. Unless you have a non-market type structure where there is some sort of residual shareholder or voting shares in farmers' hands, invariably it seems that those structures, if they wanted change, want to grow, rather than just through normal cash-flow growth, normal equity growth, they need to get extra capital. So they tend to water down grower shareholding in those companies.

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NP: Has there been any perceptible change at the farm level with all of these changes, or does life go on? Crops get grown, crops get harvested.

IW: Yeah, life goes on. Farmers adapt. Crops have been grown. The Australian wheat industry is vibrant. There's been probably a shift away from the old wheat sheep farms in Australia, which were probably limited to the amount of grain they grew because they had sheep holdings on them as well, to more reliable areas, just grain growing areas. So wheat acreage is actually on the increase in Australia. Yes, there's lots of questions about price discovery and all those things, but farmers do have a lot of choice nowadays in Australia in terms of who they sell to.

NP: So we started talking about the sort of similarities and differences within the Canadian system from your perspective from the outside. Are there other things that come to your mind? And also about the Australian view of Canada as a trade-- I know competitor might be a little strong. Anything that we haven't--?

IW: There's been quite a lot of interaction between Australia and Canada over a long period of time, and the US, for that matter, as well. It's a different growing cycle because of it being basically more of a spring-wheat situation here, whereas Australia is really a winter-planted wheat. There's been, with variety changes and changes in customer preferences, there's been more of a competitive element coming into the market where now Australia would be seen as—and Canada would be seen and the US, for that matter, would be seen—as major competitors in quite a number of markets, particularly when you get into the Asia markets area.

Of course, through this time, we've also seen major shifts in some of the customer base as well. So China has gone from being a large exporter—a large importer, sorry—to a self-sufficient status pretty much, really only buying specialty wheats or wheat in large quantities as they have a poor season. But in the last few years, being almost having the ability to export. We've seen Russia go from a large importer of wheat to a large exporter of wheat in most years, the last couple of years aside.

So there's been some fairly dramatic changes in the customer base, and this has meant that all of the main competitor suppliers—Australia, the US, Canada, to some extent, other countries like Argentina—have had to look at the products that they are producing, the types of wheat they are producing, and really pay a lot of attention to what is becoming a much more sophisticated requirement from customers. So competition, I think, has increased rather than anything else in this time.

And so, it's meant that where Australia-- And probably in days gone by when the Australia Wheat Board and the Canadian Wheat Board were, in a sense, counterparts, while they wouldn't have colluded, they would have been friendly competitors in a way. This is my view. [Laughs] Probably some ex-commissioners of the Wheat Board mightn't have that view. To being we're a very competitive situation today in the world marketplace.

NP: The history of competition between Canada and the US has not been a pretty one when it comes to grain marketing. So was Australia ever part of, you know, bringing Canada to whatever the court is?

IW: The WTO [World Trade Organization], yeah.

NP: The W--.

IW: No. No, that's mainly a cross-border issue between the US and Canada. And the philosophical view within the US that seems to have been, anyway, there that somehow the Canadian Wheat Board was not abiding by the same rules, was not commercial, was being subsidized, was being given a free run by its government in a number of areas. And of course, every challenge they have brought in the WTO they haven't won. The Canadian Wheat Board has won. And that's just gone to show that the Canadian Wheat Board does very normal commercial practices. Apart from the government guarantee on borrowing, which does give a lower cost

of interest to farmers here, the actual sales by the CWB are really just like a cooperative collective selling mechanism rather than being some market distorting mechanism. And the Australians, of course, always, up until fairly recently, had a regulated wheat market in any case. So we were probably on the same side of the WTO up until fairly recently on this issue.

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NP: To your knowledge, did the States ever bring Australia—who, from what you're saying, was operating under essentially the same and perhaps even more government control—ever brought them forward?

IW: I don't know for sure, actually, but I don't think so.

NP: Okay. So the cross-border issues--.

IW: It was more about the cross-border issues, yeah. Yeah.

NP: Interesting. So we've left your career. You went back to Australia, and now you're here again. So how did your career progress?

IW: Oh, I was in Australia with this company called Grainco for five or six years in a series of jobs. I was asked to go and run a baking and flour milling company in Australia. It was a publicly traded company called Defiance Mills, which I did as their managing director. That company was actually taken over by Bunge. After a settling-in period with Bunge, I left the company and immediately went to work for a company called Queensland Cotton, which was a cotton trading and cotton ginning-processing company. They bought a business in North America, in California and Arizona, and they needed help to sort out a number of business issues. So I came onboard as, I suppose, their chief operating officer but also the president of their North American business. So I was involved in that for a little while, lived in California for about 15 months.

Then I was head-hunted to go back to Australia to head up a newly forming single-desk marketing organization in the sugar industry in Australia called Queensland Sugar. It probably wasn't called Queensland Sugar then, but it was called the Queensland Sugar Marketing Commission or something like that. It formed into an industry-owned marketing company. I was, actually, the managing director and chief executive of that company until I came to the Canadian Wheat Board. I was there for about eight years. And in that time, we marketed all of the raw sugar produced in Australia, mainly in Queensland, internationally and domestically. Went through a deregulation of the domestic sales market and then a full deregulation of the business and reformed or renegotiated

sales contracts with the industry to become, basically, the voluntary single seller or main single seller of raw sugar out of Australia, which they still are today.

NP: So it must have been the weather of Winnipeg that attracted you. [Laughs]

IW: Well, yeah. I mean, I'm not sure what it was. I knew how bad it was in Winnipeg in terms of weather, but you know, we're sitting in Winnipeg today doing this interview, and if you ask people from around the world do they know much about Winnipeg, the answer is probably, "Not much." So I think my wife didn't know very much about it. [Laughs] But I was attracted to this job because I'd done a lot, I thought, to help facilitate a conversation about a future of the marketing organization at Queensland Sugar. And for different reasons entirely to reasons that might be prevalent here, we decided on a course of action, and I thought that—and I think probably the selection committee might have thought as well—that my experience over a fairly long career, but also being involved in some organizations like this might be useful. Whether that's the case or not, we'll have to tell when I finally retire. [Laughs]

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But when you look at the Canadian Wheat Board, politics aside, it is a very significant business—twenty million tonnes, approximately, of sales a year. The largest individual seller of wheat in the world with what is a fantastic customer base. I was attracted to the business part of the Wheat Board rather than anything else.

NP: You came in at very tough time too.

IW: Yeah, I think they'd been through some very difficult times with the fact that the--. My position is at the government's pleasure. So the CEO of the Wheat Board, president of the Wheat Board, is a public appointment. It's appointed by the government. There had been some significant difficulties associated with that over the previous couple of years. So I knew in part, I suppose, from a distance what had been happening. I suppose I didn't say no, and so I kept on going with the process, and we had to make a decision in the end whether to come to Winnipeg or not. From my point of view, it's been a very interesting exercise.

NP: Are there things you know about the Canadian Wheat Board now that you didn't know before? And I'm not talking politics now. I'm talking more about what they do in general. You can comment on the politics if you want, but I can understand if you wouldn't. [Laughs]

IW: No, I won't be commenting on the politics. But I need to say there are polarized views about the Wheat Board. I did know that it was a very substantial business. I knew that they must have a very good methodology because they'd been in existence a long period of time. Yeah, I didn't understand, and I've re-learned a lot about the wheats, the varieties of wheat, and the uses of the various varieties we have to market and grown by the farmers in Canada, and therefore to market. I think I've been very pleased with the internal processes at the Wheat Board, the depth and the strength of our marketing team, and the long-standing relationships we have.

The use of the Canadian International Grain Institute [CIGI] in terms of technical advice to customers every season on the quality of grain that we are growing and how best to use that is a major advantage to us in terms of a marketing package here that I was not really aware of much at all. I would have expected that there would have been technical advice, but I didn't understand that we had such a good organization in CIGI.

The situation with the grain trade and the Wheat Board and the way the individual grain companies and the Wheat Board work together, basically, to collect the grain in the country and deliver it to port was something that I was not as fully versed in as I am, obviously, now. There's obviously a need for the Wheat Board and the grain companies to work very, very closely together on that. And interestingly enough, on the international marketing as well because those companies are generally all involved in, to some extent, in some part of our sales, in parts of our sales as well, to customers as accredited exporters.

[0:35:14]

NP: The accredited exporters, do Wheat Board staff meet with the private company marketing staff on a regular basis? Do they have an organization, for example, that--?

IW: With regard to marketing, no. We would meet with their--. There is obviously a grain elevators association, and we would meet with those formally in terms of grain elevator issues. We tend to be also meeting with individual companies more and more these days in terms of grain elevator issues and port terminal issues as well. But we just work individually on the sales side with companies and customers. That's a sort of three-part discussion. The Australian Wheat Board staff are very regularly in touch with the customers themselves. They're also very regularly in touch with some of the companies who have customers. So in terms of price negotiations and those sorts of things, it's a sort of three-way arrangement for some of our sales. Some of the sales are obviously made direct to customers. But there is actually a close working relationship between the grain companies in Canada and the Wheat Board on a whole range of aspects of wheat marketing. It's probably not widely sort of known or appreciated.

NP: Is it possible for you to describe a typical day on the job?

IW: Probably not because I've got to say I'm fortunate enough to have a varied life at the Wheat Board. We do have very structured and regular meetings around risk management and around financial risk. So those are scheduled regularly. I'm fortunate to have my executive team just in offices close by, and so discussions actually take place between our offices more than anything else. We do have formal management meetings.

But my typical day would be to—if I'm Winnipeg—would be to-- . I would tend to have a number of meetings that would be organized internally. It might be some external meetings with the grain companies, the Grains Council, or organizations that I've been asked to meet with. I try to keep an eye on what the markets are doing, and although that's not my job—we have a very good team in our futures area—but I try to keep abreast of what's happening in the marketing area. On a daily basis, I would probably talk very often to our chief operating officer, Ward Weisensel, and maybe some of his staff and our chief financial officer, Brita Chell, about sales, marketing, grower programs, et cetera.

I tend to get involved at the higher and hopefully strategic level, not the operational level so much. And so, relationships with senior people from the grain companies, the rail companies, banks, auditors, directors, and grower stakeholder groups would all be normal for me to do on a daily or weekly basis. Because I'm the sole employee, if you like, of the board of directors, I would most days talk to our chairman, who is a grower, or other directors who might call in about anything they want to talk about. [Laughs] Especially with the operation of the board. So it's hard for me to describe a typical day. I think I have quite a varied life, but in terms of management, there's many aspects of the business I try to keep my tabs on. Of course, I'm very fortunate to have a management team who will keep me very well informed as well. So I don't have to go looking too far. Normally the issues are brought to me.

[0:40:42]

NP: Good. I think you've answered at least in part the next set of questions, which have to do with asking you to describe the interconnectedness of the Canadian Wheat Board with other major components of the industry. I think you just finished speaking about the interconnectedness with grain companies. Would you have a couple comments to make about—this almost seems brainless—the connectedness with the producers?

IW: Yeah. I could also talk a little bit about some of the other stakeholders if you like.

NP: Okay. Well, you have the list there, so maybe you can just go through and--.

IW: So one of the things that the Wheat Board has been trying to do ever since the change from being a commissioner structure to one of shared governance with an elected and appointed board of directors in 1999 has been we've been trying to turn the business back towards the farmer. In the last couple of years, we've actually, probably for the first time, put together a strategic plan which really is about configuring the business to deliver value to farmers.

There's a lot of aspects of that. One of them is operating as efficiently and effectively as you can, offering farmers the best suit of marketing programs you can, having a good viable customer base that you know in depth to buy the product, and then looking at what is the future of the organization in terms of growth or what have you. And all of this is, really, from our perspective at the Wheat Board, delivering value to farmers.

So we've coined some phrases to try and push the culture of the organization more towards farmers. So we talk about being farmer-first in the organization, and I think we do have a very high engagement of staff with regard to this whole idea of being out there for the producers. We probably see ourselves—even though we're not owned by farmers—we see ourselves as like being owned by farmers. That's particularly because we have ten of our directors elected by farmers. So we see it as our role to be providing farmers with lots more information maybe than we used to, to providing them with programs and services in the marketing area that are as flexible and meeting their business needs as possible rather than just running a pool. And in doing that-- I'm not downplaying the importance of the pool. Most grain still goes into the pool.

But we have a staff of field officers, which we call farm business representatives who are out in the country. We have staff that go out into the country regularly and run grower meetings, information meetings, et cetera. We encourage all of our senior management and staff to get involved in farmer meetings as much as possible. So we do have a very significant turning back of the organization, if you like, towards farmers, which I think is really the right thing to do and the best thing for the future of the organization anyway.

[0:44:57]

In terms of-- We've talked about some of the grain companies, but we do have to also have a lot of business interaction with the rail companies and with the inland shipping companies, the laker companies from Thunder Bay through the Seaway, because these are necessary components of the logistical chain to market. And while we do have sometimes some fairly tough negotiations with these companies on rates, we do also have good relationships with them because we have to work closely with them to make sure that the product is moved.

The Canadian Grain Commission is a very worthwhile and necessary part of the sales package in my view because they are the independent attestation to quality. And so, if you can have this seal of quality on your product when you're selling to a customer, that's something that other nations and other of our competitors don't have. And so, in my view, it's one of the good and necessary parts of what I would think is a unique marketing package that we have in Canada, particularly for wheat.

We get involved in the research side of the business as well because of trying to translate back to the research end what the market is saying and the market requirements. And I think we have always and will want to continue being very much a part of that research plant-breeding discussion that goes on to ensure that we're forecasting the market requirements successfully enough so that farmers get to plant wheats that are going to be in demand in the world. Because there's a debate around high quality versus lower quality yield versus higher price, and that's always a good debate to be having and to be deciding on, "Are we doing the right thing? Are we allowing farmers to make the best possible gross margins on their farms as possible?"

We've seen the competition of canola, for instance, come in with genetically modified canola that is actually making significant gains in terms of yield, and we've seen the acreage of canola increasing and the demand for canola increasing. So we've seen a reduction in wheat acres over a period of time because of that. So I'm very keen to see wheat do as best as it possibly can from a farmer perspective, and that means getting them the best possible returns for the wheats that they could grow. So research is also an important part of that.

NP: You may not be the person to ask this, but are there current issues with wheat—research issues—that the Board is involved in?

IW: Yeah. Well, there's a number of aspects in terms of wheat quality that, for instance, we're involved in. We probably would say that, given that we're not the largest producer of wheat in the world, we're a significant exporter, however. Most customers buy high quality Canadian wheat to upgrade the quality of their flour. And so, I think it's important for us to stay at that niche quality. I see Canadian wheat production actually as a niche crop, in a sense, rather than anything else.

However, I think we have some very specific issues, fusarium being one. That is that we need to be looking to breed it out of as much as possible. I think the researchers have done a very good job over the years in keeping the quality very good of the wheats that we have available and combatting various of the diseases that could come into the wheats in terms of blights and leaf diseases, et cetera. However, I see the fusarium issue as being on that we have to be very careful of going forward. There will be other mycotoxins and so forth that we will also have to deal with. So these are all components of breeding that have to be thought of very closely as we go forward here.

[0:50:01]

NP: Is there a position within the Wheat Board that coordinates the Board's concerns about research?

IW: Yeah, yeah. We have a number of technical people within the Wheat Board who are basically working with the marketing end to bring those ideas through. We have a number of those people on all the main research committees, industry committees, as well as some of our directors. So we do have a reasonable presence in that area.

NP: What is your sense of the role that the Canadian Wheat Board played in Canada's success as an international grain trader?

IW: You know, please don't get me wrong, this isn't necessarily a plug for the single desk so much, but because the Wheat Board has had the ability to administer the single desk, there have been some---. That has created the opportunity to deal with customers on a different level than a trader. I'm not sure I'm answering your question well enough here.

NP: Well, just expand on that. I think I know what you're saying, but I'm just interpreting. So what do you mean by that?

IW: So the Wheat Board does have the ability to have all of the wheat production for domestic and export use in its hands. That's a very significant advantage in a cooperative marketing sense when you're dealing with customers who require constant supply or who require certain qualities of product. You can use that system successfully, and I think the Wheat Board has used it very successfully, to provide customers with what they want sort of when they want it. That's quite a difference, I think, to how a grain trader would approach it.

It's given the opportunity for Canada to develop very, very close relationships with customers in a variety of countries and convince them that the Canadian product is the best quality. I think there's been some real opportunities that developed in Japan, in pasta markets, in some of the more high quality bread markets for Canadian product because of that. So to that extent, I think the Wheat Board has become quite a successful marketer. I wouldn't call the Wheat Board a trader because the Wheat Board does trade grain so much—buy and sell grain. The Wheat Board basically markets grain.

I think there's a big difference between marketing and trading in that sense. Marketing encompasses a lot of things—market development, branding of the product, et cetera—than simple trading does. So the Wheat Board has had that opportunity to develop a Canadian brand. These are things that you might not otherwise be able to do if you didn't have an organization, say, like the Wheat Board. So.

NP: What you're saying is reinforced by a lot of what we've heard from other people during their interviews, that a lot of the success in this business—and it may not be just on Canada's part—but it certainly has been from the Wheat Board and Grain Commission's international connections that is very--. They've developed very deep connections that go beyond just the commercial transaction.

IW: That's right. Yeah. And my view is this comes at a--. There's a financial cost to that because this is a more expensive system, actually, because of that, because you are spending money on market development, for instance. Whereas as a trader, you may not spend that money on market development. You mightn't have the margin to spend the money on market development. So one of the balancing acts for our industry in Canada and for the Wheat Board for that matter is to the make sure our cost structure is as appropriate as it can be and as lean as it can be because margins are relatively thin.

[0:55:28]

And on the other hand, also to demonstrate that it is adding value to farmers for that cost. So I'm aware of those sort of tensions and trade-offs, but I do think with the Grain Commission, with the Canadian International Grain Institute, and with the Wheat Board, we do actually have a fairly unique package. The Wheat Board is spending a little bit of money each year out of the pools for market development and for actual--.

Now moving into our branding with the customers of customers, with the public, in terms of branding on packaging, et cetera. This is working with customers to put the Canadian seal of quality on their packaging. We see customers saying on their retail packs that that is helping them, and that is actually creating an even closer bond with those customers to the Canadian product. So these are things that I think are a bit unique about what we do here in Canada. In many respects, whatever happens in the future, you wouldn't like to see those things be lost in terms of endearing the Canadian product to a customer base.

NP: That's what we like to hear, endearing. [Laughing] I have questions about major changes that you saw in the industry over your working years, and I guess in your case because you were in Canada and then out of Canada and back into Canada again, so what major changes did you see and what do you think were the impacts of these changes?

IW: I worked in Canada up until 1991, and then I came back in 2008. So I saw some very, very significant changes. When I left Canada in the early '90s, we still had a very extensive network, large network, of country elevators. The whole rejuvenation of the elevator network, the building of the concrete elevators, the closing down of a lot of a lot of the small elevators—to the chagrin, I know, of a lot of people—but on the other hand, I would say a more efficient industry was very, very apparent. That would probably be the major change that I saw when I came back to the industry here.

It is an industry that now relies on a very, very thin storage pipeline system, if you can get my drift on that. I mean, farmers have probably put in, in that same time period more on-farm storage, and the elevator system is more of a throughput. The country elevator system is more of a throughput system than a storage system, and very, very timely shipment to port, and a lot of planning is therefore needed to make sure you can meet shipments as they come in with the right quality because the pipeline and the storage system is quite thin. And if you make a mistake in that, and you draw the wrong qualities from farms, and you send the wrong qualities to port, you can get yourself into some serious supply chain difficulties. So the other thing that I've noticed is that the detail involved in planning of logistics is something that is probably far more important today than it was back in earlier times.

NP: That brings to mind two things that relate to it—one that doesn't seem to have changed over time, and the other that is a change, a recent change, for you. The rail system, at the same time as the country elevators were decreasing in number, the rail lines and rail shipping points, and there always seems to be a balancing act between you as a major shipper and any of the grain shippers and the rail companies. So do you have any comments on that?

[1:00:11]

IW: Yeah. You're right. I didn't mention the rail network rationalization. That's been major as well. That's basically followed the elevator rationalization, and we now see also, we've seen some of those rail lines purchased back by farmer groups who are running those either on producer cars or their own loading points. There is a fine balance that goes on between the rail companies, ourselves, and the grain companies, and in my view, this requires, as I said, a lot of planning, but it also requires a lot of communication between the rail companies, the grain companies, and ourselves so that we are in sync as much as possible.

There are issues, of course, and some of them mightn't easily be solved, but those aside, one of the things that I have been trying to do in the last couple of years is sit down with the grain companies at a senior management level and work through what it is we have to do to work more successfully together and increase the level of communication between us rather than anything else. The worst thing in the world is to have stand-offs between some of the grain companies and the Wheat Board when you're trying to shift 20 million tonnes a year. So from a business perspective, I think we're gaining in success in that area.

NP: And in some of the historical research I've done, some of these things seem to be cyclical. And if somebody doesn't care for them, it slips back into the negative side of the cycle as opposed to the--.

IW: Well, I think because you have the natural pressures of the Wheat Board trying to do its job and try to actually move grain at the lowest possible cost and what it might think is the most efficient manner to port, and you have the grain companies operating

for their own ends, which is generally the profit of the grain company, there's a natural tension there. Now, that's fine. That's healthy probably, but what we have to do is find the happy medium with regard to that and make sure we are all sort of pointing in the same direction in terms of this grain movement. If you don't keep working at it, those tensions will cause natural rifts to occur.

So part of what I see as my job is to try and keep the communication lines open. That might mean me just talking with the CEO or the head of one of the grain companies just to where they've had problems and difficulties and trying to reflect that back into the organization or sort out the best solution. Or it might also be—which is better than that—having the management teams of both organizations sit down and constructively work through the issues and come up with the best solutions.

NP: The second item was the new ships.

IW: Yeah.

NP: That was unique. What brought that into being?

IW: Well, it's unique in a sense that we haven't owned ships before.

NP: For the Wheat Board.

IW: But the Wheat Board does own 3,600 railcars, and so the rationale for us at the Wheat Board was more about being part of--. We see ownership of parts of the logistical chain like that as virtually part of the exercise of marketing. We're going to be paying laker freight, for instance, every year. If we can make an investment that can actually return on that laker freight and reduce that as we plan with our business plan on that purchase, then that's a plus. We felt—all the directors felt—there were very few things that the Wheat Board can invest in because of the way the Act is constructed, and so our judgement was this was one of the very few things that we can invest in. There was an opportunity there with the potential rejuvenation of the whole laker fleet given the reduction of the 25 percent duty on imported ships, which made the case for building new ships viable. And we felt we could participate in that.

[1:05:10]

NP: I imagine the changes over availability of shipping through the Seaway system has changed over the years as well to take it to the point where there wasn't sufficient--.

IW: The fleet was getting very old. It was in need of a lot of refurbishment. And yes, and environmentally, efficiency wise, for a whole range of aspects, we could see the fleet starting to dwindle. It's encouraging now that I think there's been quite a number of announcements of new bills coming forward from other companies—the Wheat Board being the minor part of that—that will mean we will have a very viable fleet going forward.

Salties, of course, can come through the system, but I think more and more the restrictions on salties are going to be such environmentally and within the lakes that it mightn't be quite as viable in the future, or the restrictions will certainly be fairly great, I think, in the future. The new style vessels, the laker vessels being built, will certainly be built with that in mind.

NP: Have you dealt with the challenges to the extent that you would like to? That's the next--. Because I think a lot of what you've spoken about is challenges.

IW: Yeah, I think we've rambled around a fair bit of that.

NP: Yes. Significant events, anything to add to that?

IW: No. [Laughs] I can't think of anything other than we've talked about.

NP: There's so many of them! Is it fair to ask you at this stage in your career what you're most proud of?

IW: I suppose--.

NP: To date, let's say.

IW: I suppose I've had a varied long and varied career in agribusiness, and I don't like to sort of think too much about what I might be proud of because I've just been part of companies that I've been involved in trying to do things in the industry in succeed in various parts of agribusiness. I suppose as you--. I suppose I've been a CEO-type in companies for now since the late '80s. So that's a long time. [Laughs] So I suppose what you become is you become a bit of a student of organizations and organizational culture and organizations at a strategic level. So I suppose if I'm proud of anything, it would be that I've tried to help companies think about where they're at today, what they might have to do in the future, and how they can improve, both internally and externally. So that's probably what I think I try and do when I come to work everyday.

So if I look back maybe in a few years' time, I'll probably hope that I'm not remembered too much because I think you work with teams of people, and you just try to make the situation as good as you can in the circumstances you can. But I hope I'm remembered for being one that tried to help organizations succeed and tried to get everybody in the organization to point in the same direction.

NP: What is the toughest thing that you've ever done? You know, even if you just deal within general terms.

IW: The toughest things in businesses, some people talk about negotiations they've done and so forth. Yes, I've been involved in quite a lot of tough negotiations. The toughest things in organizations, to me, are always the people issues. Everybody in an organization is an individual. Everybody has their own reason for working, their own reason for coming to work everyday, and the hardest thing, I think, is trying to get everybody's aspirations when they come to work lined up the same way. And because we're humans, sometimes that alignment is often fickle and doesn't last very long, so you have to keep working at it.

NP: I'm going to ask a couple of specific questions about the history of the grain industry, and in particular Thunder Bay. So have you ever been to Thunder Bay?

[1:10:01]

IW: I've never been--. I have been to Thunder Bay, but not in the last three years. I mean to go to Thunder Bay. [Laughs] I had a conversation with the CEO of the port only a little while ago. He gave me a computer presentation on the port. But I know I will be going to Thunder Bay in the course of the next little while because, of course, we're obviously very interested in Thunder Bay as a staging point for our grains, and also, what is the--. I think it's got a good future, but it's what are the ways the Wheat Board will be having to deal in the future with all of the companies in the port. So I know that there's some work that we have to do with regard to that.

NP: We are, as a group, Friends of Grain Elevators—this being Voices of the Grain Trade, part of it—the Friends of Grain Elevators is trying to interest the federal government in establishing a National Historic Site to recognize the contribution of the grain industry to Canada's growth and development. So as you see the Canadian Wheat Board as being part of that success, if such a centre were to happen, what parts of the history of the Wheat Board do you think should be most recognized?

IW: Oh, I think you could—this is the first time I've thought about it—I think you could look at the early--. You could look at the history of grain movement through there. You could look at the building programs that obviously took place to build the infrastructure that's there. I think it's arguable that the--. I think it's not arguable. I suppose it's a position of fact that the tonnage

going through Thunder Bay is less today than it was 50 years ago, and certainly some of the infrastructure was built for a different era than we have today. So there's the arguable part is to what extent is there over capacity in Thunder Bay?

You know, back 50 or 60 years ago, the Wheat Board's exports was something over 80 percent to Europe, and so a lot of that went out through Thunder Bay. Today, around 20 percent of our exports go that way. So that's been a major shift. So the Wheat Board's history associated with Thunder Bay is long and, obviously--. But it is the shifting of the customer base for Canadian grains that has caused a shift in the fortunes of Thunder Bay as a grain staging point.

The Wheat Board's been a fairly significant part of that. So I would see us being able to tell a lot of stories about that, I would think. There would be probably quite a lot of history that we would have that would still probably reside here about that. I suppose the other thing I think is that this is pretty well stabilized now. I can actually see customers for wheat and durum products, in particular, in areas that would be serviced by Thunder Bay probably increasing gradually in coming years. So I wouldn't think—people talk about Thunder Bay—I wouldn't think it will go backwards. I think it will actually, in grain terms, it's got the likelihood of going forwards from now, particularly in wheat and durum anyway. So I think that's a good thing.

To the extent that the Wheat Board will play a role in Thunder Bay? I think we'll probably still have a prominent position in Thunder Bay in terms of the future of it and the future of the grain facilities there going forward. So we'd be very interested, as thoughts are being putting together on this, we'd be very interested in taking part in that.

NP: Excellent. What a wonderful way to end the interview! [Laughing] Thank you so much. I can't believe that we've had an hour and a half.

IW: Okay. Neither can I! Sorry.

End of interview.