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national farmers union

In Union Is Strength

FEDERAL GOVERNMENT SETS VERY LOW INITIAL PRICES: EFFECTIVELY SUSPENDING GOVERNMENT GUARANTEES

SWIFT CURRENT, Sask.—The federal government traditionally sets wheat and barley initial prices at 75% of the Canadian Wheat Board's June Projected Return Outlook (PRO). For the current (2003/04) crop year, however, the government has set initial prices at levels ranging as low as 59% of PRO values. Initial prices for the 2003/04 crop year were released August 1.

Initial prices were set at the following levels:

- Canadian Western Red Spring (CWRS) wheat: 66% to 71% of the June PRO level (depending on grade and protein);
- Canadian Western Amber Durum (CWAD) wheat: 59% to 68% of the PRO;
- Canadian Western Feed (CWF) wheat: 63%;
- Standard Select (malting) barley: 72% to 74%; and
- Canadian Western (CW) feed barley: 65%.

As an example, the federal government set the initial price of feed barley at \$80/tonne (in store Vancouver or St. Lawrence). With average deductions of about \$60 for transportation and elevation, a western farmer would receive an initial payment of \$20 per tonne, or just 43¢ per bushel. Even for top grade wheat, the federal government's low initial payments mean that farmers would receive an initial payment of just \$1.95 per bushel if they delivered today.

"By setting initial prices at these unprecedented low levels, the federal government is effectively suspending its long-standing guarantee of CWB initial prices. The government's move is a dual blow to farmers: restricting our cash flow and weakening the CWB. This is just the latest case of the Federal government cutting its support for farmers," said NFU President Stewart Wells.

The Canadian Wheat Board (CWB) rests on three pillars: single-desk selling, price pooling, and government-guarantees for initial prices and borrowing. "The federal government—by turning its back on its commitment to provide adequate and guaranteed initial prices—is cutting away at one of the three pillars of the CWB and weakening farmers' marketing agency," said Wells.

Wells questioned whether further federal government moves to weaken its guarantees might follow. "In the debate around the Wheat Board Bills C-72 and C-4, the government proposed that the CWB should use farmers' money to set up a multi-million dollar 'contingency fund' to take over guaranteeing any adjustments to

initial prices. Farmers must not let the federal government abandon its commitments nor let it heap millions in costs onto grain producers,” said Wells.

The federal move to cut initial price levels may be triggered by a potential deficit in some wheat or barley pool accounts in the recently-ended crop year. Wells said: “There is no reason that a 2002/03 deficit could justify reducing government guarantees. 2002/03 was an extraordinary year: there was a major war, a rapid and unexpected rise in the value of the Canadian dollar, new supplies entering the world market from the Ukraine and other non-traditional sellers, and a small crop and a carry-over of harvest into the spring that made it very hard for the CWB to estimate its sales volumes. 2002/03 is exactly the type of exceptional year that the government-guarantees on initial prices were created to deal with.”

He concluded: “Significantly reducing initial price levels effectively ends any real guarantee by the federal government by ensuring that final prices will never fall below initial prices. But this step comes at the costs of tens-of-millions of dollars in farmers’ cash flow, and it weakens one of the three key pillars of the CWB. The NFU will work with all concerned farmers to resist government cuts and to maintain a strong CWB that maximizes returns to farmers.”

— 30 —

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