



Recommendations for Reform of CWB Electoral Procedures

Submission to the Canadian Wheat Board Election Review Panel
September, 2005

The Frontier Centre for Public Policy is pleased to be able to submit its recommendations to the Canadian Wheat Board election review panel. The CWB plays a major economic role in the Prairie provinces as the sole marketing vehicle for farmers' wheat and barley in export markets as well as for domestic human consumption. It is therefore important that the election of the CWB board of directors results in the type of governance that works in the best economic interests of western Canadian agriculture.

Who Are We?

The Frontier Centre for Public Policy is an independently funded think-tank located in Winnipeg, Manitoba. As such, we accept no monies from any level of government. Funding for our organization comes primarily from individual donations and charitable foundations. To ensure our independence, we have built a "fire wall" between our donators and supporters and our researchers to minimize undue influence.

We believe that ideas matter and we work to broaden debate on a wide variety of public policy issues from health care to education, aboriginal issues, high performance government and agriculture, to name but a few. We strive to bring to the table innovative ideas and public policy recommendations which we believe will result in positive change for Canadians. Like today's world of constant change and adjustment to new realities, the Prairies need to adapt as well, if we do not want to be left behind.

Heading up our agricultural policy work is third-generation family farmer, Rolf Penner, who operates a mixed grains and hog operation just outside of the town of Morris, Manitoba. Farming is Rolf's primary occupation, a fact that goes a long way towards grounding the often theoretical nature of policy analysis and recommendations in reality.

For further information on the Frontier Centre visit our website at www.fcpp.org

Agricultural Challenges

Prairie farmers face significant challenges in the global marketplace. They must compete with countries providing massive subsidies and overcome punishing tariff and non-tariff trade barriers, not to mention competition from low-cost producers in low-tax, low-regulation countries. They do this in a highly taxed, highly regulated environment with little financial support from their governments. We believe that for Canadian farmers to be successful in this context they need the maximum amount of flexibility possible to adjust and adapt quickly to ever-changing economic circumstances. When the mouse tries to live with an elephant, or more appropriately in this case, a herd of elephants, it does not get very far by behaving like an elephant. It needs to do what it does best. By moving more

quickly and smartly than the elephants, the mouse can in fact run circles around them, when allowed to do so.

Recommendations

The question, “What kind of governance would best suit the CWB?” implies another question: “What is the role and purpose of the Board? Is it a government agency, a lobby group, or a business? Each of these has forms of governance unique to fulfilling its mandate. We believe that it is the latter, that the CWB is indeed a business and as such should be structured and governed accordingly, with farmers filling the role of shareholders.

Some claim that businesses lobby governments all the time. That is true, but their governance structure remains that of a business. More often than not, though, they join together with other like-minded businesses to form groups whose function is to lobby governments on their behalf. Numerous such groups, such as the Keystone Agricultural Producers, the Canadian Federation of Agriculture and the Western Canadian Wheat Growers Association already represent agriculture. Since participation in the CWB is not voluntary, we believe it inappropriate for the organization to be take positions in lobbying governments, as those positions may be contrary to members’ wishes. It is our belief that the CWB should concentrate its efforts on selling grain and maximizing returns to Prairie producers.

In general we see this review of CWB elections as an opportunity to adopt and combine the best governance policies of both the Australian and Ontario Wheat Board, in order to provide Western Canadian farmers with the kind of high-performance leadership required to win in today’s economy.

Voter Eligibility: Who Can Vote?

Our preferred criterion for voting would be through the free market, to allow farmers to vote with their trucks and freely deliver their commodity to whomever they think will pay them the best return. We realize this may be out of the scope of the review panel, but ask that it be considered. This is what farmers in Ontario are allowed to do, and it introduces a very precise real-time mechanism for gauging farmer satisfaction in the Ontario Wheat Board’s performance.

Barring the above, the Frontier Centre believes that anyone selling board grains in the Prairie provinces should be eligible to vote in CWB elections, be they primary producers, crop-share landlords or anyone else with a crop share interest. We believe that under the current monopoly structure that votes should also be extended to growers of non-board crops as well, as they have the ability to grow and sell Board crops and may have an interest in that, but are reluctant to do so under current circumstances. If they have the ability to participate in changing those circumstances, their cropping choices will follow.

Proportional Representation; Weighted Ballots

Currently votes are allocated on the basis of permit book holders, with one vote per permit book. Some believe that this exemplifies the principle of “one man, one vote,” though it clearly does not. There are many examples of large operations with single permit books and small operations with numerous permit books. Furthermore, it is our understanding that up to one third of all permit books in recent years have not had any grain delivered against them. Votes are therefore already being weighted in what we would argue is a most unfair manner.

The Frontier Centre believes that a more rational way of weighting votes would be along the lines of economic interests. This would bring CWB governance in line with more common business models, including the one used by the Australian Wheat Board. Those with more “shares” or economic interest in the company have more at stake and therefore get more votes. Those with the most at stake tend to pay closer attention to what is going on with their business and, because the consequences of their decisions have significant and sometimes immediate economic repercussions, they are less likely to be swayed by political considerations.

Some have a concern that proportioning votes in this manner will lead to a trade-off between the interests of smaller producers versus those of larger ones. We believe that this concern is unwarranted. It is rooted in the fallacious theory of “zero-sum” economics, that for someone to win, someone else has to lose. The person holding two shares in General Motors, for example, is not disadvantaged by the fact that there may be someone else owning 1000 shares in the same company. In reality the opposite applies; the minority shareholder is counting on and using the majority shareholders to their own advantage. Because they own shares in the same company, the minority shareholder is in fact “free-riding” on the majority shareholders’ self-interest. When one wins, they both win. Further to this, the rebalancing of economic and political power through a process of checks and balances is one that works well in the governance of a country or province with a diverse population and number of differing interests. It does not work well in the business model were everyone is working towards the same goal, the maximization of profit.

Others have suggested that the CWB adopt a standard co-operative governance model which also adheres to the “one person, one vote” principle. Traditional co-operatives work well as a means of organizing a number of smaller business interests such as fishermen or farmers into a single larger entity in order to better market a product or buy bulk supplies at a discount. It is a model with a long history of success. We would certainly not be opposed to the CWB transforming itself into a co-operative entity. However if it were to move in that direction, it would need to completely disassociate itself from government involvement, and membership would need to be voluntary as is the case with other such co-operatives. The Ontario Wheat board would be an excellent model for this kind of arrangement.

Implementation: How Do You Do It?

A number of possible ways in which to inject a proportional representation or a weighted ballot system into the CWB elections suggest themselves. We believe that the Australian Wheat Board can offer some guidance in this area.

The Frontier Centre recommends a production-based approach for determining the weighting base. In our view, a production-based approach provides a good measure of economic interest, and would not be overly difficult or costly to administer. The weight could be based, for example, on tonnes produced.

This method of determining voter entitlement would rely on the CWB delivery database as a starting point, but would give farmers an opportunity to increase their voting entitlement based on their level of production. Those farmers who believe the CWB has an impact on their entire farming operation would therefore be assured of an opportunity to vote their full economic interest.

In Australia, every grower is entitled to at least one vote, and another vote if their average wheat deliveries over the past three years to the AWB exceed 33 1/3 tonnes, plus an additional vote for each 500 tonnes. A farmer who has average deliveries of 750 tonnes to the AWB would receive three votes. We recommend that this methodology be adopted in Canada as well, though we believe that the 33-tonne threshold is too low and should be revised upwards.

Further Miscellaneous Recommendations

- Districts should be readjusted so that each district has roughly the same number of votes.
- Most people find the current preferential ballot system far too confusing. It should be scrapped in favor of the simpler, more familiar, “first past the post” system.
- The CWB should be prohibited from engaging in self-promotion just prior to and during election periods.
- To ensure confidence in the electoral process, CWB elections should be administered by an independent, third-party commission.
- The five non-farmer CWB directors currently appointed by Ottawa should be appointed by the elected directors, as is the case with Agricore United. This would enhance farmers’ control over Board activities, while avoiding possibly negative patronage appointments.

Conclusion

The Frontier Centre for Public Policy has made a number of recommendations for reforming Canadian Wheat Board elections. It is our belief that implementation of these reforms will lead to a more positive economic outcome for Western Canadian farmers by providing them with better leadership, more flexibility and the accountability needed to ensure success in today’s modern global economy.

We thank you for taking the time to consider our thoughts on the matter.

Rolf Penner
Agriculture Policy Fellow
Frontier Centre for Public Policy

Founded in 1997, The Frontier Centre for Public Policy is an independent, non-profit organization that undertakes research and education in support of economic growth and social outcomes that will enhance the quality of life in our communities. Through a variety of publications and public forums, the Centre explores policy innovations required to make the prairies region a winner in the open economy. It also provides new insights into solving important issues facing our cities, towns and provinces. For more information visit www.fcpp.org.

