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GRAIN SECTOR

R. H. D. Phillips

Introduction

Canada is a very large country, second in land mass to the Soviet Union. Canada covers an area just short of 10 million square kilometres, but only one-third of the land is developed, and occupied farmland represents less than eight percent of the total. The western provinces, where most Canadian grains are produced, are landlocked and most of the area is far from the coast. There is only sufficient growing season for one crop, and the winters are long and severe. Rainfall in the summer is limited and not predictable.

Canada is divided into 10 provinces and two northern territories. The provinces have jurisdiction over their own resources and responsibility for much economic activity and matters such as property rights and education. But, jurisdiction over some economic activity is divided between the provinces and the national government; for example, agriculture and transportation. The federal government controls external and interprovincial trade.

There is crop and animal production in each of the provinces and territories, but, as might be expected, there is regional concentration of some agricultural activity. The three prairie provinces, for example, account for three-quarters of all agricultural land, and about half of all farmers who grow most of the crops which Canada exports and who generate about half of total farm cash income.

The Importance of Grains to The Canadian Economy

By federal statute, Canada defines grain in terms of six specific crops: wheat, oats, barley, rye, flax, and rapeseed. Maize is increasing in importance and is included along with some other oilseed crops. Grain receives the greatest attention in the three western provinces of Alberta, Manitoba, and Saskatchewan.

Wheat is by far Canada's most important crop, and its production and marketing is one of the major agricultural activities. In recent years, wheat production has exceeded 18 million tonnes, of which more than 17 million tonnes are spring wheat. The spring wheats are produced mainly in the three prairie provinces and the winter wheat in Ontario. Wheat accounts for half of Canadian farm income from all grains and about 20 percent of total farm income. Three-quarters of the wheat crop is exported.

Barley has been traditionally the second most important crop, and although it remains important, rapeseed production now accounts for more revenue in total and is increasing in importance as an export crop. In recent years, Canada has produced 10 million tonnes of barley per year on the average and exported about one-quarter of it.

Rapeseed was introduced into Canada during the Second World War to provide an oil source for marine engine lubrication. In the years since, new varieties and husbandry practices have been introduced which have made rapeseed increasingly important as a source of food and feed food. Rapeseed production averages 1.3 million tonnes. The other oilseed crops (flax, soybeans, sunflower seed, and mustard) together account for about one million tonnes of production. More than half of the total oilseed production is exported.

Coarse grains, including barley, oats, rye, maize, and the mixed grains average 20 million tonnes (slightly more than half is barley), and about 20 percent of the total is exported (barley is the most significant coarse grain export).

Forage crops in recent years have involved about six million hectares of tame hay and annual forage crop production, and another 18 million hectares of pasture lands. Forage production averages 24 million tonnes of tame hay and about 13 million tonnes of fodder maize, all of which is utilized domestically by the

livestock industry.

Within Canada, grain and indeed agriculture account for a declining percentage of domestic production, and the number of persons engaged in farming and related industries is declining. Despite the relative decline, the grain sector remains significantly important in terms of the trade balance and in the demands it makes in one form and another on other sectors of the Canadian economy.

Canada's exports have produced an annual average value of \$34 billion in recent years. The export value of farm and fish products together accounts for about 12 percent of the total, and wheat and wheat flour account for 45 percent of the farm and fish exports and average six percent of total exports. Barley, oats, and rye account for 10 percent of all farm and fish exports and a bit more than one percent of the total.

Wheat and wheat flour were once Canada's major export commodities, but in more recent years have been exceeded in importance by lumber, newsprint, wood pulp, and more recently by automobiles and auto parts. The exports of most of the alternatives have been mainly to the United States, while exports of wheat, wheat flour, and some of the other grains remain mainly to the rest of the world.

In recent years, Canada has exported about 70 percent of total wheat production and about 20 percent of coarse grain production. In both instances, Canada exports a higher percentage of total production than does the world considered in total. In the last five years, for example, world trade in wheat accounted for 18 percent of world production and world trade in the coarse grains accounted for 11.5 percent of total production.

While Canadian wheat production now accounts for only five percent of world production, trade in wheat and wheat flour accounts for about 20 percent of total world trade in these commodities. Coarse grain production accounts for about three percent of world production and Canadian trade in these grains for about five percent of world trade.

In comparison with most other countries, Canada's grain exports are high. In the last four years, for example, western Europe exported 16 percent of total wheat production, Argentina 44 percent, and the United States 53 percent. Only Australia, among the major exporters, had an export record comparable to Canada's, exporting on average 81 percent of the total.

The Canadian Grain Commission supervises Canada's grain sector, licensing and regulating facilities and quality standards for all grains sold domestically or for export.

In 1935, the federal government established the Canadian Wheat Board as a crown corporation. The Wheat Board is a government directed marketing board, but is financed totally by the grain producers whose crops it markets. Originally it operated only a voluntary pool for wheat, but in 1943, during the Second World War, was given full control over the pricing and marketing of all prairie wheat, an authority it still has. Later the Board took jurisdiction to a lesser degree over oats and barley.

To demonstrate the importance of the role of the Canadian Wheat Board, a brief review of how the Board is involved in the marketing of Canadian wheat will help:

1. The Board establishes price for all Canadian wheat sold for export.
2. It operates pools for the various grains. Under this system, producers receive an initial payment on delivery of their grain and an additional payment or payments based on the average returns realized by the Wheat Board for particular grades.
3. It administers a grain delivery quota system which regulates farmer deliveries to country and mill elevators of wheat and each of the other

major grains (oats, barley, rye, flax, and rapeseed) grown in the prairie area. Every farmer must have a grain delivery permit to deliver grain to the Board.

The Board owns neither grain handling facilities nor sales agencies, but operates through contractual arrangements with Canadian and foreign companies. In the handling of grain within Canada, the agents are four major farmer companies and a number of joint stock companies. These and several others are agents for the Board for export sales.

Conclusions

1. The Canadian system of variety licensing centred on a statutory milling standard has served Canada well through the years and is admired by many exporting countries.
2. The control of the Canadian grading system and of the grain handling industry by the Canadian Grain Commission and its predecessors has provided a guarantee of honesty and quality for Canadian grain producers and assurance of both for grain importers around the world.
3. The central selling agency operated through the Canadian Wheat Board provides a marketing institution which has served Canadian farmers and the world's importers well for more than four decades.
4. Farmer participation through the cooperative associations they have built over the years has given grain producers assurance that they can influence directly the marketing of their grain; support from these cooperatives has strengthened the Canadian Wheat Board and has provided Canadian government negotiators around the world's bargaining tables with home support that few countries can equal.