What impact would an open market have on Alberta malt and feed barley pricing?

In an open market, market fundamentals rather that CWB policy will determine barley price levels. In the case of feed barley, the domestic feed market will remain the dominant factor in setting feed barley prices. Export feed barley sales will only occur if these prices are competitive with domestic feed prices. Malt barley prices will continue to be established, as they are today, in a North American and world market.

An open market would have a positive impact on prices. Farmers would be able to compare daily prices offered by international markets to those in the domestic market. In other words, farmers would be able to sell to the best price offered rather than relying on CWB forecasts as the only signal on the export/domestic processing side.

An open market will respond to customer demand. When customers need something, they indicate what price they are willing to pay. Farmers would be able to compare this price to the local market or the expected price of barley in the future, if storage is an alternative. In the CWB system, however, farmers must commit their supply in advance through contracts with the Board, based on the guesswork of price forecasting.

The long and short of it? Better market and price signals will occur in an open market. Better customer signals will result in better marketing decisions by farmers. Better decisions equal better profits. Customers will see barley more as a higher value crop, and western Canadian farmers will be better able to meet domestic demand for feed.

What is the state of wheat and barley value added processing in western Canada?

The Government of Alberta and the Canadian Wheat Board agree that growth in the value added processing sector is important for stimulating economic activity and that there has been value-adding expansion in some areas in western Canada. However, there is evidence that the CWB's single desk marketing discourages further processing of wheat and barley at home.

Western Canada should be attracting investment in malt processing facilities, because we have lower malt manufacturing costs than the U.S. and a larger production base. Further, malt production tends to be located close to barley production areas due to the fact that it is more costly to ship barley than to ship malt. However, in 2004 Alberta lost out on two malting plant opportunities when the companies decided to locate in Montana and Idaho, citing the CWB as part of the reason for not locating in Alberta. (Source: Barley Industry in Transition - Sparks Companies Inc., April 2004)

Only 5.5 per cent of the wheat produced in the prairies is processed in the prairies. Ontario processes the equivalent of 117 per cent of its total production, because it processes much of its own wheat, as well as some western Canadian wheat. Nearly 40 per cent of the wheat and 88 per cent of the durum produced in the U.S. is processed domestically. In Canada, we process only 17 per cent of our wheat and 7 per cent of our durum. Most of western Canada's wheat is sold as a raw commodity into world.

Oats processing has grown by 300 percent since being removed from CWB jurisdiction in 1989, although the high statistic is attributed to a low original base. Forty percent of the canola grown in western Canada is processed domestically. Canada has become the world’s largest exporter of peas and lentils with a concurrent rapid expansion in pulse processing capacity in western Canada.