

TWO VIEWS ON THE FUTURE OF THE PORT OF CHURCHILL

Elimination of CWB's single desk an enormous blow to Churchill

The Canadian Wheat Board is responsible for 95 per cent of the shipments through the Port of Churchill. Eliminate the CWB, and you drain the lifeblood of Churchill.

The CWB is not a grain company, it is a marketing system. That system, known as the single desk, sees the organization exclusively market western Canadian farmers' grain around the world. Farmers reap the rewards of this system: all revenues, minus operating costs, are returned directly to them. Nevertheless, the federal government is planning to dismantle the CWB's single desk by Aug. 1, 2012 – without letting farmers have a say in the matter.

For Churchill, it's highly unlikely the vacuum left by the demise of the CWB's single desk can be filled with non-grain shipments. Non-grain exporters steered clear of the port last year, and it's unlikely they will become significant users anytime soon.

And it's even more unlikely that this massive vacuum will be filled with grains or oilseeds. No major grain companies use the port now, and, frankly, they have good reason not to. Large companies like Richardson International operate their own port terminals on the West Coast, Thunder Bay and St. Lawrence. They have invested huge capital in their own facilities. They make money from shipping through their own facilities. They have absolutely no incentive to export through a third-party facility like Churchill.

How will this vacuum be filled? Churchill officials have been trying to diversify and increase shipments along the rail line and through the port for years – yet the CWB remains the only significant user of Canada's northernmost port.

Just look at last year's statistics from the *Hudson Bay Route Association's Winter 2011 Newsletter*: CWB shipments of 603,000 tonnes vs. canola and pea shipments of 56,000 tonnes (the first non-board shipments since 2006) vs. non-agricultural exports of zero tonnes. Remove the CWB from the equation, and the port becomes a pretty quiet place.

The CWB has no retained earnings, which means the CWB has no country elevators or port terminals. Unlike the major grain companies, the CWB must use facilities that it does not own.

Western Canadian farmers, under the single desk system, are able to save millions of dollars each year by the CWB shipping through Churchill. These savings are the result of greatly reduced costs for freight to port position and terminal tariffs, which more than offset increased ocean freight costs out of Churchill.

In the absence of the single desk, the CWB will be, at best, a shell of its former self. As such, it will be unlikely to export through Churchill to any meaningful degree. With no facilities of its own, the CWB will have to overcome overwhelming hurdles to simply accept deliveries in the country.

I am aware of absolutely no analysis that the government has done on the economic impact of eliminating the single desk. No analysis of the effect on the grain industry, on farmers, on producer car users – on any affected party, including the Port of Churchill.

Churchill is resilient, and is certainly no stranger to challenges. However, the monumental drop in grain shipments that will result from the federal government's scheme to kill the single desk will create perhaps the biggest challenge that the port has ever faced.

Recently, I urged farmers to look at the future of the CWB with eyes wide open. I offer this same advice to all members of the Hudson Bay Route Association and supporters of Churchill. I encourage you to go forward with eyes wide open to the scope of the enormous challenge the federal government's plan poses to the livelihood of Churchill.

Allen Oberg

Chair, CWB's farmer-controlled Board of Directors. He farms near Forestburg, AB. You can read Allen's blog about the challenges the CWB is facing at <http://cwbeyeswideopen.blogspot.com>.





Last May, Canada elected a majority Conservative Government. One of their longstanding campaign promises was to deliver marketing choice to Western Canadian farmers, and they have been very clear that legislation will be introduced this fall. One possible ramification of this change is lower wheat shipments through the Port of Churchill as the CWB has been the primary user of the grain terminal for many years.

What then does the future hold for Churchill? Can it attract wheat shipments? Can it attract other business?

In addition to the volumes of wheat, in recent years the Port has also seen non-board peas and canola shipped out.

Grain through Churchill is about \$30 a tonne less than through the St. Lawrence, and even allowing for some freight or price incentives, can still net between \$20 and \$25 dollars a tonne. Is that sufficient to attract grain companies and the new CWB to this export route?

The answer is yes if a few things line up.

First off, will the CWB have the tools needed to be a “going concern”? This is an area where the Grain Growers has been lobbying the CWB to identify a realistic list of what it needs to have the opportunity to be successful in the open market and we’ve been telling the Government the CWB will need assistance.

We have suggested extending the Government guarantees for a period of time and that there needs to be a good dispute resolution process put in place. Handling agreements for the new CWB will need to allow the freedom to direct where the grain goes.

Issues like access to country elevators and port terminals and fair pricing for services, especially on the west coast, access to rail shipping and the

continuation of research and CIGI funding also need to be addressed.

We strongly support the new CWB having the ability to acquire assets in whole or in part moving forward, including port terminals. Using Churchill will give them a significant price advantage over using the seaway when they compete with the private sector.

Secondly, there will be an opportunity to access a large pot of grain in NE Saskatchewan if the sub between Tisdale and Hudson Bay is put up for sale in the coming year. In retrospect there has been a loophole in the Cdn Transportation Act that has allowed CN to simply stop using the line without being forced to list it.

Access to Tisdale, Melfort and Humboldt alone is a market of over a million tonnes in the Churchill catchment area and that line avoids backhauling hundreds of miles.

Thirdly, what can be done to attract other users to the terminal? Peas, canola and fertilizer have gone through before and so what can be done to attract more of that business?

Is there a potential for identity preserved crops, or could Churchill be a “GMO-free” port? There may be some higher value niches that would make it very worthwhile to use Churchill.

Fourthly, beyond grain exports, what other businesses could also use the line? Can Churchill recapture a larger portion of the northern supply chains like to the Kivalliq region of Nunavut? Should Canada establish a northern military corridor in the face of increasing intrusions, which will only accelerate in the years ahead and should it be through Churchill?

At the Arctic Council meeting in Nuuk, Greenland, Canada signed an agreement to enhance search and rescue cooperation in the North. The new treaty requires Arctic Council countries to coordinate plans and operations in the event of a plane crash, cruise ship sinking or a major oil spill.

Having signed the treaty, Canada must now ensure that it has the capacity to meet these obligations. Can Churchill play a key role in this?

What can be done to double or triple tourism?

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The Canadian Forces rely on the Canadian Rangers in the North as first responders to a search and rescue emergency, with aircraft having to fly from CFB Trenton (Ontario) hours later. Should there be a rapid response team based in Churchill?

The Canadian military is looking to construct new "hubs" - small military bases that consist of a runway and a supply warehouse in areas the Forces believe they might need to suddenly deploy to - in the North. Some existing infrastructure already exists in Churchill, Man.

Should a percentage of the line and Port should maybe be designated as "public good" or "strategic interest" and be paid for by the Federal Government?

A lot of these things have been looked at or talked about, but serious work takes serious money.

To start, perhaps the Manitoba Government should dedicate as much money, if not more, in bringing in smart business minds to help in this transition as they are spending in their current advertising campaign.

Can Churchill and the Hudson Bay route be successful?

We believe it can and are ready to help work on it with you!

Richard Phillips
Executive Director, Grain Growers of Canada

