

# **Repurposing the Great Grain Robbery in Canada**

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## **Abstract**

The "Great Grain Robbery" was a term applied to describe the 1972 Soviet-American grain sales when the Soviets bought large quantities of U.S. grain at low prices. Due to their high demand being hidden by the requirements for secrecy in the sale, market prices did not increase to match the increased Soviet demand. As a result many American farmers concluded they missed out on the true value of their grain. Canadian farmers, however, sold their grain through the single-desk Canadian Wheat Board (CWB) which used pooling. They consequently benefitted from the Soviet purchases and did well from the increased Soviet demand.

The "Great Grain Robbery" term was resurrected in the 1990s during the highly polarized debate over the value and continued relevance of the single-desk Canadian Wheat Board. It was also repurposed so that it no longer meant the 1972 Soviet-American grain sales. Instead, the "Great Grain Robbery" became a code-term that encompassed all the perceived problems with the Canadian Wheat Board. It became the main focus of the western Canadian agricultural community in the debate over agricultural policies, in particular "marketing freedom" by those opposed to the CWB.

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# Chapter One

## Introduction

In 1972 the Soviet Union experienced a severe crop failure due to frost and poor germination rates. The Soviets had dealt with a similar crop failure in 1965. This crop failure had forced them to butcher the majority of their animal herds that they been building up since the 1950s. By 1972 their herds were only beginning to return to the pre-scarcity levels and the Soviets were determined not to repeat the events again because of a grain shortage. Through negotiations and shrewd bargaining, *Exportkhleb*, the Soviet grain trading agency, managed to secure the greater part of the United State's 1972-73 crop. These grain purchases led to what American Senator Henry Jackson would call "one of the most notorious Government foulups in American history."<sup>1</sup> The 1972 sales were characterized as one of the biggest swindles in recent western agricultural history and became known as the "Great Grain Robbery" or the "Great Russian Grain Robbery."

During the 1990s the western Canadian agricultural community became strongly polarized between the pro-Board side, people who supported the Canadian Wheat Board's (CWB) single-desk sales mandate, and the anti-Board side, people who opposed it and wished to gain so-called marketing freedom by removing the CWB's single-desk. It was during this period of polarization that the "Great Grain Robbery" resurfaced in the western Canadian agricultural community. The anti-Board side used the 1972 sales as an example of where Canadian farmers had done poorly because of the CWB's single-desk. This assessment, however, contradicted the actual Canadian experience in 1972 when Canadian farmers had done quite well. The "Great

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<sup>1</sup> U. S. Senate Committee on Government Operations, *Sales of Grain to the Soviet Union: Hearings before the Permanent Subcommittee on Investigations*, 93rd Cong., 2nd sess., 1974, 1.

Grain Robbery" became a catch-phrase which came to mean everything that was wrong with Canadian agricultural policy in general and the Canadian Wheat Board (CWB) in particular. The 1972 sales became an example within the fuller meaning of the catch-phrase. Don Baron's book, *Canada's Great Grain Robbery*, helped to codify the meaning of the "Great Grain Robbery" catch-phrase for the western farm community. It provided the 1972 sales as an example of why the Canadian Wheat Board's single-desk was not beneficial to farmers even though this interpretation of the Canadian experience of the sales was not historically accurate. This inaccurate version of western Canadian grain history provided legitimacy to the anti-Board side's claims, which they had previously lacked, compared to the pro-Board side which had a long tradition of providing historical examples to support their arguments. Baron's book represented the history it provided as being a secret and, until the book's publication, known only to a select few individuals which helped support the anti-Board side's belief in both the book's legitimacy and their characterization of themselves as being freedom fighters with a privileged understanding. The inaccurate presentation of the Canadian experience was used by the anti-Board side as a historical precedent to help provide legitimacy to their claims that western Canadian farmers would be in a better position once they were free from the CWB.

In 1972 if the open market had performed as it was supposed to do, the Soviets' immediate need for large quantities of grain ought to have set off a massive increase in grain prices when their buyers first arrived in North America and began contacting sellers in Canada and the United States. The international grain market, however, was not the transparent ideal of pure economic models. Instead, the international grain market was, and still is, essentially an oligopoly of less than seven private companies<sup>2</sup> which kept their commercially valuable

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<sup>2</sup> The biggest are Archer Daniels Midland (ADM), Bunge sometimes known as Bunge y Born, Cargill, Louis Dreyfus, Glencore, André, and Continental.



information carefully guarded. Although this market was competitive, it was hardly open in either the sense of allowing new entrants into it, or in terms of information sharing. It essentially functioned as a private market place administered by a few firms focused on margin trading. The Soviet grain buyers used this privacy to their advantage. The Soviets made an agreement with the United States Government to have the option to buy grain from its stockpiles. They simultaneously negotiated sales with the private trade at the same time they were bargaining with the American government. As a part of this government-to-government transaction, the Soviets insisted these purchases be kept secret and used this secrecy when they contracted to purchase grain from American-based grain companies, Continental, Cook Industries, Louis Dreyfus, Cargill, and Garnac, who all had a vested interest in keeping their own sales to the Soviets secret from their competitors as well. This lack of transparency prevented the price increase that should have occurred in response to the increased Soviet demand. When the Soviet purchases finally became public knowledge, there was an outcry over how cheaply the Soviets had bought the grain as well as the amount of money which had been made by the American grain traders through their manipulation of American government export subsidies.

In Canada, western farmers' grain was marketed through the central selling agency of the Canadian Wheat Board (CWB), an arms-length crown corporation, until the implementation of Bill C-18 on August 1, 2012 which removed the CWB's single-desk authority.<sup>3</sup> The Wheat

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<sup>3</sup> Bill C-18, titled "The Marketing Freedom For Grain Farmers Act", made other changes to the Canadian Wheat Board Act such as removing the CWB's role in transportation logistics, and dismissing the farmer-elected directors who were replaced with government appointees, but the largest change was the removal of the CWB's single-desk marketing responsibilities. C-18 also made provisions to transition the revised CWB from a voluntary organization run by directors appointed by the Minister of Agriculture to a private corporation. At the time of this writing there are still several court cases extant on this piece of legislation. C-18 was introduced without holding a farmer vote on the changes to the Canadian Wheat Board Act even though section 47.1 of the Act required a farmer vote if any changes were to be made. The Canadian Wheat Board, its elected pro-single desk directors, and the Friends of the Canadian Wheat Board, a group of farmers who supported the single-desk, challenged the validity of C-18 based in part on the requirement for a farmer vote based on section 47.1. On 7 December 2011 federal Justice Campbell ruled that the federal Agriculture Minister had "failed to comply with his statutory duty pursuant to section 47." Justice

Board competed with the private grain trade in the international market. Its core function was as the collective bargaining agent and sales desk for western Canadian grain farmers. When the Soviet buyers wanted to purchase Canadian grain they had to deal with the CWB. The CWB's intelligence division had alerted it to the Soviet's disastrous crop failures so that their negotiators were generally able to sell for higher than the then prevailing world price. Canadian capacity to handle and transport grain to port is limited. At the time the CWB was responsible for allocating the resources necessary to move grain to port. This power, along with the physical limits of the Canadian grain transportation and handling system, had the useful effect of allowing the CWB, without tipping off its competitors in the international trade, to stretch Canadian grain sales out so that the CWB sales were made as the international world price was rising as the international

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Campbell found "that the Minister's conduct is an affront to the rule of law." At the time of the ruling the C-18 was still before the Senate Standing Committee on Agriculture and Forestry. It was given royal assent on 15 December 2011. Subsequently, The Friends of the Canadian Wheat Board launched a constitutional challenge and class action lawsuit against the Government of Canada. The constitutional challenge argues C-18 is invalid and any actions caused by it must be reversed. The class action seeks \$17 billion in damages from the loss of the single-desk and other assets including the loss of hard assets owned by the CWB, including its office building and railcars, since farmers paid for the assets. There are also on-going appeals of the Campbell decision. *The Canadian Wheat Board et al. V. Attorney General of Canada*, Order T-1735-11, 2011. ; *The Canadian Wheat Board et al. V. Attorney General of Canada*, 2011.

When the Conservative government initially announced its intention to introduce legislation removing the CWB's single-desk authority there was a strong demand and expectation from farmers that the government would hold a vote on the issue as required by section 47.1 Agriculture Minister Gerry Ritz said the Tory majority victory in the last election was indication enough that the government is within its rights to change the legislation so a farmer vote will not be required." As a result of the government's unwillingness to hold a vote, the Canadian Wheat Board held a mail-in plebiscite to determine what farmers wanted. The mail-in plebiscite was conducted by the accounting firm of Meyers Norris Penny (MNP) in the same way that the CWB directors' elections had been conducted since 1998. The plebiscite question asked farmers to chose between two answers. The ballot sent to eligible wheat producers had the choice of: "A) I wish to maintain the ability to market all wheat, with the continuing exception of feed wheat sold domestically, through the **CWB** single-desk system [or] B) I wish to remove the single-desk marketing system from the **CWB** and sell all wheat through an open market system." While the ballot sent to eligible barley producers gave a choice between: "A) I wish to maintain the ability to market all barley, both malting/food, with the continuing exception of feed barley sold domestically, through the **CWB** single-desk system. [or] B) I wish to remove the single-desk marketing system from the **CWB** and sell all barley through an open-market system." The participation rate was 56% or 38,261 ballots which was considered to be very high for a mail-in ballot. The results of the plebiscite were that 62% of voters supported keeping the single-desk for wheat and 51% for barley. Canadian Wheat Board. "Farmers vote to keep Canadian Wheat Board." Winnipeg, 12 September, 2011. Martin Cash, "Ritz takes swipe at CWB; says plebiscite irrelevant," *Winnipeg Free Press*, 30 June 2011.

grain trade itself become increasingly aware of the Soviets' massive purchase plan.<sup>4</sup> Since the sales were staggered throughout the year Canadian farmers benefited from the Soviet purchases and the increased prices once the increased Soviet demand became public knowledge.

Even though the 1972 Soviet purchases were financially significant with far reaching economic and political consequences, they are a relatively overlooked part of agricultural history. Any work on them focuses almost exclusively on the American experience of the sales. *Amber Waves of Grain* by James Trager, which came out only a year later in 1973, was the first, and so far, the only book entirely focused on these Soviet-American grain sales. Its subtitle, *The Secret Russian Wheat Sales That Sent American Food Prices Soaring*, captured the book's central theme. The 1975 reprint was re-titled to the simpler and more exciting sounding *Great Grain Robbery*, although changes to the text were minimal. The book focused on the Soviet purchases causing rising food prices in America. Since it was published so quickly after the Soviet purchases became public the book does not substantially address the U.S. House of Representatives subcommittee which had only begun hearings on the sales in September of 1972 or the U.S. Senate subcommittee hearings that began in the summer of 1973.

From the beginning of the book Trager sets up the Americans as ill-informed dupes of the crafty Soviets who “bought it all [the grain] stealthily, digging deep into Soviet gold reserves to do it.”<sup>5</sup> The book also argues that a large part of the outrage created by the sales was due to the fact that the Soviets had kept the sales secret.<sup>6</sup> Later work echoes Trager's assessment that the secrecy intrinsic to the private market system was what allowed the Soviets to be so successful.<sup>7</sup> The book does mention that the Soviets purchased grain from Canada; no judgement, however, is

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<sup>4</sup> Interview with former CWB staff member, 28 October, 2009 (anonymous source 3); Interview with former CWB staff member, 13 April, 2010 (anonymous source 1).

<sup>5</sup> James Trager, *Amber Waves of Grain*, (New York: Arthur Fields Books Inc., 1973), 7.

<sup>6</sup> *Ibid.*, 8.

<sup>7</sup> *Ibid.*, 181.

given whether the Canadian farmers ultimately did better than the American farmers, although there is the implication that Canadian farmers did better. Trager does make it clear that it was the American system which allowed Soviet traders "to fragment purchases."<sup>8</sup> The book also repeated the accusation made by Republican Senator Hugh Scott that it was "people associated with the Canadian Wheat Board"<sup>9</sup> who were driving the calls for inquiries into the Soviet-American sales and the American grain trade in general. Even though Trager points out that both the CWB and the Australian Wheat Board (AWB) had been in contact with the USDA, he presents the accusations made by Scott, as well as similar points made by other individuals, as valid concerns even though no evidence is given which would support their veracity.<sup>10</sup> Scott and others who shared his view disliked the CWB because they saw it as government involvement in private business which was counter to their free-market ideology. Even worse to them was that this type of government involvement seemed to mirror the Communist ideals of state control. Secondly, Republicans like Scott saw the calls for inquiry into the 1972 sales as baseless attacks on the Nixon administration. Blaming people associated with the CWB for these attacks was a way to deflect the point that it was American citizens and elected officials who were asking for inquiries. It also reinforced the propaganda that the Canadians and their grain marketing Board were threatened by the American free-market grain trade and the Nixon administration's support of free-markets.

While the 1972 Russian purchases get passing mention in several histories of the Nixon administration, there has never been a detailed examination or analysis of the sales. Even U.S. Secretary of State Henry Kissinger, one of the principle players in the sales, only briefly touches on the subject in his autobiography *White House Years*. He barely acknowledges that there were

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<sup>8</sup> *Ibid.*,

<sup>9</sup> *Ibid.*,

<sup>10</sup> *Ibid.*, 181-182.

any issues surrounding the sales. While he alludes to the idea that the set-up for the sales was reached during the SALT summit, especially in relation to the removal of export shipping restrictions, he does not supply any significant detail.<sup>11</sup> Secondly, the image of the cunning Soviet traders is heavily featured in this section. Kissinger makes the Americans look surprisingly naïve when he writes: "no senior official — except possibly Secretary of Agriculture Butz— understood what they [the Soviets] were doing."<sup>12</sup> This characterization, aside from being an implicit criticism of a cabinet colleague for secrecy, a not inconsiderable charge coming from Kissinger, is in direct contrast to the rest of the book which portrays the Americans as not only competent but also well informed. Moreover, while Kissinger locates the Soviet grain purchases within the section on the results of the Moscow summit, he actually provides little context for how the purchases were connected to the summit. For example, difficulties in removing the legislation requiring shipping on American crewed ships are hardly touched on even though the removal of this legislation would leave maritime union leaders so angry that they would refuse to deal with Kissinger.<sup>13</sup> The details of how the shipping legislation was removed are handled with the note that "those issues were resolved soon after the summit."<sup>14</sup> The removal of this legislation was critical in creating the conditions for the Soviet grain purchases because it removed one of the extra transportation costs associated with buying grain from the Americans. Kissinger also notes that "the Soviet purchase of grain in our markets was seen as a domestic matter, an element of our agricultural policy"<sup>15</sup> to explain the Nixon Administration's

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<sup>11</sup> Henry Kissinger, *White House Years* (Toronto: Little, Brown and Company Ltd., 1979), 1269.

<sup>12</sup> Kissinger, 1270.

<sup>13</sup> Seymour M. Hersh, *The Price of Power: Kissinger in the Nixon White House* (New York: Summit Books, 1983), 345-346; Tom Wicker, *One of Us: Richard Nixon and the American Dream* (New York: Random House, 1991), 480-481.

<sup>14</sup> Kissinger, 1269.

<sup>15</sup> *Ibid.*,

lack of information about the Soviet purchasing plans. Afterwards "all such transactions were treated as foreign policy matters."<sup>16</sup>

In *The U.S.-U.S.S.R. Grain Agreement*, Roger Porter uses the 1975 negotiation of a five-year grain deal between the United States and the Soviet Union to show how international agreements are conducted. The previous relationship between the two countries in terms of grain sales is explained within the first chapter to provide the context in which the 1975 deals were made. It is in this section that Porter focuses on the 1972 sales. He gives a more detailed explanation of the Soviet crop failures and how the Americans failed to heed their own intelligence about Soviet crops. Unlike many other accounts of the 1972 sales, Porter provides not just a summary of the American position leading up to the 1972 sales but also a detailed summary of the Soviets' agricultural history beginning with Stalin's agricultural programs. By giving detail about the Soviets' situation Porter shows how the 1972 sales were not extraordinary and that it was only the failures of the American system that allowed the Soviets to position themselves to procure American government financing and low-priced grain from the private companies. Porter was a member of the Ford administration which followed the Nixon administration and this role does seem to colour his view of how the 1975 five-year grain deal was handled as he takes pains to point out how all the problems associated with the 1972 sales were removed before the negotiations for the five-year grain deal began.

The two most extensive examinations of the 1972 sales can be found in Wayne G. Broehl's book *Cargill: Going Global*, the second in his three-volume history of the company, and Dan Morgan's *Merchants of Grain*. Both authors provide detailed accounts of the sales, especially the back-and-forth of negotiations between the Soviet traders and the individual companies. Broehl's account is more sympathetic towards Cargill which is not unexpected since

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<sup>16</sup> *Ibid.*, 1270.

the book was indirectly financed by Cargill, and he spent considerable time with members of the family and company.<sup>17</sup> However, *Cargill: Going Global* is still well researched and provides more explanation of the reasoning behind Cargill's actions because of Broehl's access to the private Cargill archives. By contrast, *Merchants of Grain*, which Broehl references, uses the 1972 sales as a starting point to show why the reader ought to be interested in the international grain trade. Since the 1972 American-Soviet sales were unusual at the time, creating circumstances which affected the international grain market for years afterwards, and provided an example of the problems of an open market, both books take pains to show in a step-by-step fashion how the sales happened. The aftermath of the sales, however, is portrayed as only an American issue. The American subcommittee investigations into the sales are the most noteworthy consequence for both Morgan and Broehl. The broader implications for the international grain market and other grain exporting countries are mentioned only in relation to how America was affected.

Even though the consequences of the Soviet deals touched all grain importing and exporting nations, the works written about the sales are primarily focused on the American experience. One is lucky to see a few sentences about Canada or any other grain exporting country. William Morriss's history of the Canadian Wheat Board, *Chosen Instrument II*, devotes ten pages to the issue focusing on CWB sales to the Soviets during 1972 and the events in the United States. While Morriss describes the immediate positive impact of the sales on the CWB, there is no mention of how the Canadian agricultural community reacted to the news of the sales. Nor does Morriss reference the sales or go into detail on the agricultural community's reactions on this or most other issues of significance to farmers. Within the literature on Canadian

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<sup>17</sup> For a detailed description of the financing and time with the Cargill family and employees see Wayne G. Broehl, *Cargill: Going Global* (Hanover: University Press of New England, 1998), ix-xi.

agriculture, Morriss's writing is by far the lengthiest treatment of the Soviet sales. While other agricultural history writers, such as Garry Fairbairn and Carrol Jaques, make note of groups like the Alberta Grain Commission (AGC) and Palliser Wheat Growers Association (PWGA) which championed open market ideology, their books provide no analysis about the genesis of these groups in the 1970s. Agricultural economists are largely silent on the topic of the 1972 sales in Canadian agricultural history. While the Canadian experience of the 1972 American-Soviet sales is not well documented, the same is not true for western Canadian agricultural history in general. For example, Gregory Marchildon's edited compilation of essays, *Agricultural History*, features works from many historians including Lewis Thomas, Warren Elofson, Max Foran, D.J. Hall, and Patrick Brennan who have written about western Canadian history. Vernon Fowke, George Britnell, and D. A. MacGibbon were some of the early historians within the field. Their work has been followed by historians like Gerald Friesen, John Herd Thompson, Murray Knuttila, and Paul Earl who have focused on various aspects of western Canadian history in relation to agriculture. Thompson and Fowke have both done work which focuses on the Canadian Wheat Board and its role within western Canadian agriculture. Most recently Thompson has focused on the CWB in relation to farmers' movements and Canadian-American trade relations in numerous articles including "An Orderly Reconstruction: Prairie Agriculture in World War II"<sup>18</sup> with G. R. I. MacPherson. Agricultural economists have also written extensively about the Canadian Wheat Board. Economists like Murray Fulton, Andrew Schmitz, Hartley Furtan, and Edward Tychniewicz who have written about the CWB tend to focus, not on its historical or social context, but on how it functions for farmers and within the international grain market.

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<sup>18</sup> G. R. I. MacPherson, and John Herd Thompson, "An Orderly Reconstruction: Prairie Agriculture in World War II," *Canadian Papers in Rural History* 4 (1984): 11-32.



*Canada's Great Grain Robbery* by Don Baron deals with the 1972 American-Soviet sales by rebranding the idea of the "great grain robbery" as a uniquely Canadian event. In the end, Baron characterizes the entire set-up of the Canadian grain handling system, from the Pool elevators to the CWB, as a "great grain robbery." His contention is the oft-repeated one that the system is out-dated and stifles the ability of individual farmers to receive the maximum returns from their product. During the time of the 1972 American-Soviet sales, Baron claims that "the Soviets returned [to Canada] in 1972 intent on record purchases but found Canada unable to deliver the grain, they turned to the U.S. and pulled off their 'Grain Robbery.'"<sup>19</sup> This claim, however, does not match with the account given by Morriss in *Chosen Instrument II*, the CWB's annual report from that year, and the accounts given by former CWB staff members<sup>20</sup>. These accounts all agree that, as one staff member put it, Canadian farmers "did very well."<sup>21</sup> Nevertheless Baron's book helped to codify the points that the anti-Board side of the farm community had been making vigorously throughout the 1990s about the problems they perceived within the Canadian grain system. In the sections dealing with the Canadian grain system in the 1980s and 1990s, the book relies mainly on rhetoric and anecdotes for evidence that the Canadian system must change. As Baron writes in the introduction [italics his] "*the political shackles are finally being ripped off the massive industry. Breath taking change is returning lost freedoms and responsibilities to growers and grain companies and the railroads.*"<sup>22</sup> Baron sets up former United Grain Growers Limited (UGG) president Mac Runciman and the members of the Palliser

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<sup>19</sup> Don Baron, *Canada's Great Grain Robbery*, (Regina: Don Baron Communications, 1998), 145. See also pages 139-140 for claims of the Canadian system's failure resulting in Soviet traders taking their business to the United States in 1972.

<sup>20</sup> Interview with former CWB staff member, 28 October, 2009 (anonymous source 3).; Interview with former CWB staff member, 13 April, 2010 (anonymous source 1).; Interview with former CWB staff member, 13 April, 2010 (anonymous source 2).

<sup>21</sup> Interview with former CWB staff member, 13 April, 2010 (anonymous source 2).

<sup>22</sup> Baron, 8.

Wheat Growers Association as crusaders who are struggling to free the Canadian farmers ideologically blinded by CWB propaganda.

This thesis focuses on the Canadian experience of the 1972 Soviet purchases and how the aftermath of the sales was used to polarize the Canadian agricultural community over the question of supporting the Canadian Wheat Board's single-desk selling mandate. The concept for this thesis grew out of the ongoing debate over the value and continuing retention of the grain handling and marketing system that had been created by western Canadian farmers in the 1920s and continued to evolve over the succeeding years. This system was comprised of the CWB, the three prairie grain handling cooperatives known as "wheat pools," the Canadian Grain Commission (CGC), the Canadian International Grains Institute (CIGI) and the Western Grains Research Foundation.

The Great Grain Robbery catch-phrase was based on historical inaccuracy which was used to support an argument made by a small minority of farmers. These anti-Board farmers were not part of the larger agrarian protest movement which began in the late 1800s. Agrarian protest was focused on collective action and bettering farmers as a whole through working together to achieve greater economic power — as demonstrated by the early establishment of cooperatives, including the Territorial Grain Growers Association and the three prairie Wheat Pools, then later by overwhelming farmer support for the Canadian Wheat Board throughout much of the 20th century as well as their long term agitation to have the CWB implemented.<sup>23</sup> In

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<sup>23</sup> For a greater discussion of agrarian protest in western Canada and its resultant economic, political and social effects on the region see, for example, V. C. Fowke, *The National Policy and the Wheat Economy*, (Toronto: University of Toronto Press, 1973).; Bradford Rennie, *The Rise of Agrarian Democracy: The United Farmers and Farm Women of Alberta 1909-1921*, (Toronto: University of Toronto Press, 2000).; Paul F. Sharp, *The Agrarian Revolt in Western Canada*, (Regina: Canadian Plains Research Center, 1997).; W. L. Morton, *The Progressive Party in Canada*, (Toronto: University of Toronto Press, 1950).; Seymour Lipset, *Agrarian Socialism*, (Berkeley: University of California Press, 1950).; William Kirby Rolph, *Henry Wise Wood of Alberta*, (Toronto: University of Toronto Press, 1950).; Harold Patton, "The Canadian Grain Pool," *Pacific Affairs* 3, no. 2 (1930): 165-180.; C. R. Fay, "Agricultural Cooperation in the Canadian West," *Annals of the American Academy of Political and Social*

direct opposition to these goals, the anti-Board side was strongly against collective action and embraced the ideas of rugged individualism. Secondly, the anti-Board side received significant amounts of support and funding from individuals and groups like the Alberta Grain Commission who had an economic interest and/or a philosophic belief which placed them in opposition to farmers having economic power through collective bargaining. The CWB Directors' elections and the plebiscite on the fate of the CWB's single-desk held in 2011 all reflect the fact that the anti-Board side of the farm community is a small minority and the majority of farmers support retaining the single-desk.

Since the late 1880s western farmers had been expressing strong dissatisfaction with how the private grain trade functioned. After many royal commission investigations and much farmer activism, legislation enacting the Canadian Wheat Board as a single-desk selling agency was passed in 1935. This legislation meant that all western grains which came under the CWB's mandate had to be sold through the Board. This collective marketing ensured that Canadian grain was being sold at the optimum price for farmers, which was a direct contrast to the volatile grain market experienced by farmers before the CWB. After harvests, the market would be flooded with grain creating a sharp drop in prices that would only recover once the supply of grain had been greatly diminished. Farmers who could afford to delay their sales would reap the benefits, while those in more precarious financial positions would be forced by circumstance to sell the same grade and quality for less soon after completing their harvests creating substantial profits for the grain handling companies and private grain brokers. The creation of the CWB's

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*Science* 107 (1923): 238-247.; Christian Leithner, "The National Progressive Party of Canada, 1921-1930: Agricultural Economic Conditions and Electoral Support," *Canadian Journal of Political Science* 26, no. 3 (1993): 435-453.; Garry, Fairbairn. *From Prairie Roots: The Remarkable Story of Saskatchewan Wheat Pool*, (Saskatoon: Western Producers Prairie Books, 1984).; F. W. Hamilton, *Service at Cost: a History of Manitoba Pool Elevators, 1925-1975*, (Saskatoon: Modern Press, 1975).; Carrol, Jaques, *Unifarm: A Story of Conflict & Change*, (Calgary: University of Calgary Press, 2001).; David Monod, "The End of Agrarianism: The Fight for Farm Parity in Alberta and Saskatchewan, 1935-38," *Labour* 16 (1985): 117-143.

single-desk mandate and the dominance of farmer-owned elevators minimized this inequality and the presence of the private grain trade in Canada.

The CWB, the three prairie pools, and Canadian Grain Commission were considered to be important and useful for western farmers because of their work in selling Canadian grain and developing new export markets. By the end of the 1960s, however, some sections of the agricultural community began to question if these institutions were really that useful for western farmers. One of the first groups organized in response to the idea that the CWB, along with other facets of the Canadian grain industry such as government legislation, were not working in the best interests of farmers was the Palliser Wheat Growers Association (PWGA). Its 1970 formation led the way for other groups which also questioned the existing status quo of the Pools, CWB, and government legislation like the Crow's Nest Pass Freight Rate Agreement (commonly referred to as The Crow or Crow Rate). The PWGA, along with the Alberta Grain Commission (AGC), which had been created in the spring of 1972, regarded the CWB's single-desk mandate as stifling to the creativity of farmers when it came to the marketing of their grain. These groups argued that the CWB prevented individual farmers from selling their grain at the highest prices.

When the Soviet purchases became public, groups like the PWGA pointed to them as an example of Canadian farmers missing out on marketing opportunities. The initial news reports only showed that the Soviets had purchased large quantities of grain without differentiating between the prices paid by the Soviets and the profits that had been made by the American grain traders through American export subsidies. Initially, it appeared that the Soviets had been paying above-market prices because of the amount of money that had supposedly been made by the private trade. Revelations of the Soviets' demand for grain also pushed the international price

upwards. This increasing international price led to accusations that the CWB had sold Canadian grain too soon and too low to allow Canadian farmers to benefit from the increase in market prices. The 1972 Soviet purchases consequently became a reference point for critics of the CWB's single-desk mandate. They claimed that the CWB had cost Canadian farmers money instead of increasing their profits as single-desk selling was supposed to do. The open market, where individual Canadian farmers could have sold their grain at anytime, was viewed as having been the better option for farmers.

This emerging criticism of the Canadian Wheat Board began to create tension within the agricultural community and was reflected in the interaction between members of recently created farm groups. There had already been tension due to the creation of Unifarm and the National Farmers Union, which were both intended to serve as a voice for the agricultural community on the national stage. The emergence of the Palliser Wheat Growers Association and the Alberta government-backed Alberta Grain Commission served to further increase tensions and divide the agricultural community. These tensions manifested in 1982 when the Alberta Cattle Commission (ACC) broke with Unifarm.

Research for this thesis was divided into two main areas: oral history and documentation. Since these events are still recent, many people are still alive who were involved in agricultural politics during 1972. This thesis also investigated how long the idea of the great grain robbery has stayed active within the Canadian agricultural political community. Interviews with people who were active within agricultural politics were a priority. Written works can present only a portion of the actual level and scope of debate that occurs within the agricultural community since the culture of this community has a strong oral component which means that a significant amount of the more heated parts of the debate over the Canadian Wheat Board is inaccessible

since it took place at farm meetings and other similar gatherings, recordings of which are not available. The principle way to access information about the nuances of the debates which took place at these meetings was to interview people who were there since documentation about these events, if it is available at all, tends to provide only a summary of the debate. As part of this thesis, therefore, current and former members from farm groups such as the NFU, CWB, and Wheat Pools were interviewed. These members held various positions within the organizations. Members of the Western Canadian Wheat Growers (WCWG), the group which grew out of the PWGA, were also interviewed. Contact with people known for being critical of the CWB and the overall grain handling and marketing system in western Canada was attempted. Some, but not all, of these people declined to be involved in the study or were unable to be contacted. Therefore, textual sources and second-hand accounts had to be the primary basis for the work that addresses these groups. Overall, the interviews provided information about the 1972 Canadian experience of grain sales and the Great Grain Robbery in the 1990s. In the formal interviews, subjects tended to downplay the most controversial aspects of the topic or request to go off the record to talk about them which is why direct quoting is not used extensively. Instead, summary paraphrasing of the information provided by multiple interview subjects was used to show the general attitudes within the community.

The agricultural community does have a strong written component to its activities which complements the verbal portion of their culture. While farmers often meet, formally and informally, to discuss issues like the Canadian Wheat Board, they are equally likely to be involved with the written portion of a debate over an issue through reading farm newspapers and writing letters to the editor. To augment and corroborate the information provided by the interviews major American and Canadian newspapers from 1972 were consulted to see how the

Soviet purchases had been reported in Canada. The papers were also searched for articles that dealt with the Canadian Wheat Board and internal politics within the Canadian agricultural community, in particular any debate about the CWB or the Crow's Nest Pass Freight Rate Agreement. Editorials and letters to the editor were also examined. The editorials provided information on what issues and events were considered noteworthy. Editorials in the *Western Producer* provided information on what was considered relevant and important for the agricultural community. Letters to the editor brought forward issues that farmers were concerned about and showed reactions to editorials, articles, and, most importantly, the opinions of other letter-writers.

The Soviet purchases of 1972, although financially significant and with far-reaching economic and political consequences, have become a relatively overlooked part of agricultural history. If they are mentioned at all it is almost invariably within the context of the American experience. The broader implications for the international grain market and other grain exporting countries are ignored. More significant for Canadian history was how the Soviet grain purchases figured within the debates in the agricultural community. Indeed, the meaning of “great grain robbery” has itself been transformed to encompass more than just the 1972 Soviet purchases and has been used as code for criticizing the Canadian system of grain handling and marketing.

## Chapter Two

### The American Vs. Canadian Experience

In 1969, Richard Nixon began his first term as President of the United States. Shortly after the Nixon Administration took office, the United States Department of Agriculture (USDA) learned that the Soviet Union was interested in purchasing American grain.<sup>1</sup> If the Soviets did purchase grain, it would be a coup for the new administration. Nixon could claim that it would lead to considerable profits for American farmers and grain companies. Ignoring the fact the Canadian Wheat Board (CWB) had already been supplying grain to both the Soviet Union<sup>2</sup> and China<sup>3</sup>, Henry Kissinger wrote, “it would be a major political success to demonstrate the superiority of our system by selling the Soviet Union the grain it could not grow for itself.”<sup>4</sup> The groundwork for the highly publicized grain deal of 1972 had started in 1969 with the Soviets’ expression of interest in grain purchases from the US.

There were several barriers to trade with Communist countries, much to the irritation of U.S. exporters. Since the Soviets and the Americans were cautiously beginning to relax the tensions between them<sup>5</sup>, the first step to lowering these barriers to trade with a Communist nation

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<sup>1</sup> Roger B. Porter, *The U.S.-U.S.S.R. Grain Agreement*, (Cambridge: Cambridge University Press, 1984), 11.

<sup>2</sup> The CWB has been selling to the Soviet Union since 1956. William E. Morriss, *Chosen Instrument II: A History of the Canadian Wheat Board: New Horizons*, (Winnipeg: The Prolific Group, 2000), 40.

<sup>3</sup> The CWB's first sale to China was "approximately 3.8 million bushels of wheat . . . in 1958." Morriss, *Chosen Instrument II*, 9. A long term sales agreement covering 1961 to 1963 between the CWB and China was signed 22 April 1961. Morriss, *Chosen Instrument II*, 19. For a more detailed accounting of the long-term agreement and negotiations with the Chinese during that time period see Morriss, 7-37. Paul Babey, president of the Farmers Union of Alberta organized a trade mission to China in 1964 which included representatives from the "Alberta Wheat Pool, Saskatchewan Wheat Pool, Manitoba Pool Elevators, United Farmers of Alberta Co-operatives Ltd., Alberta livestock Co-operative, and Canadian Co-operative Implements Ltd." Carrol Jaques, *Paul Babey of Beaverdam*, (Calgary: Carrol Jaques, 2002), 22. The trip helped to continue the agricultural trade relationship between Canada and China. For a full account of the trip see Jaques, *Paul Babey of Beaverdam*, 22-26.

<sup>4</sup> Kissinger, 1269.

<sup>5</sup> As with most political actions, both the Soviet Union and the United States felt that détente would be the easiest and most efficient way for them to realize their goals. As Roger Porter explains, “Soviet leaders wanted trade and technological cooperation with the West; they believed that American-Soviet rapprochement would discourage



was changing the 1949 Export Control Act. In 1969 the Export Administration Act, designed to allow more open trade, was passed. The Soviets, however, were still unwilling to pursue any significant purchasing agreement with the United States because of a restriction placed on shipping by the Kennedy administration in 1963. This restriction stated that “50 percent of all grain sold to the Soviet Union had to be transported in American vessels.”<sup>6</sup> The Soviets found this condition prohibitively expensive, especially when they could purchase grain from Canada and other countries, without having this requirement added to their transportation costs. Given that the maritime unions were unwilling to allow the restriction to be removed, there was little reason for Nixon to lift it unless the Soviet Union was inclined to buy large amounts of American grain. The economic and political benefits from these sales would provide Nixon with the motive to set aside the protection for American maritime workers.<sup>7</sup> The impetus for the removal would occur in 1971.

The Strategic Arms Limitation Talks (SALT) had been stalled for some time when, on 20 May 1971, Nixon triumphantly announced an advance in the negotiations. This advance had occurred due to backroom deals made between the United States and the Soviet Union, not through diplomatic channels. To the consternation of the diplomats, the wording in the agreement was so imprecise that it made the agreement vulnerable to subjective interpretation.<sup>8</sup>

Anatoliy Dobrynin, the Soviet Ambassador, had told Nixon that without some type of

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China’s belligerence; they hoped that relaxed tensions in Europe would produce the long-sought codification of postwar borders and reduce American influence and military power on the Continent. The Nixon administration, in turn, saw détente as a means for slowing the vigorous Soviet buildup of nuclear and conventional weapons, an opportunity to enlist Moscow’s pressure on Hanoi for a Vietnam peace treaty, a method to modify Soviet behavior to ease world tension, a source of domestic political gain, and an opportunity to boost American exports.” Porter, 10. See also: Tad Szulc, *The Illusion of Peace: Foreign Policy in the Nixon Years* (New York: The Viking Press, 1978), 596.

<sup>6</sup> Wicker, 479-480.

<sup>7</sup> *Ibid.*, 479-480.

<sup>8</sup> Hersh, 341.

arrangement for grain sales, the Soviets would not consider any SALT agreement.<sup>9</sup> Working with this ultimatum, Kissinger made a deal with the Soviet Union whereby the Americans would sell them grain if they would agree to begin negotiating an arms agreement. The terms of the grain deal were not made during this backroom arrangement; instead, an actual agreement was left for further negotiations.<sup>10</sup> Both sides acknowledged, however, that the Soviets should not pay a premium price to transport any American grain that they purchased. Additionally, Kissinger believed that a grain deal would be an important part of the détente between the two countries, since it would increase American export revenue.<sup>11</sup>

The SALT breakthrough gave Nixon a much-needed political boost. Nixon was scheduled to go to Moscow in the late spring of 1972 for a summit. The summit's timing was concurrent with the Democratic National Convention.<sup>12</sup> Thus, Nixon was able to overshadow his anti-war political rivals while continuing to build a success story for his 1972 re-election campaign. For the summit to be a complete success for Nixon, it would need to settle any outstanding SALT problems. In accordance with the earlier backroom deal, the Soviets were willing to resolve any issues, so long as the United States would sell them grain.<sup>13</sup> Nixon and Kissinger were perfectly willing to ensure the grain sales would happen, so long as Nixon was re-elected. To get re-elected he needed the summit to be spectacularly successful so that he would have ammunition for his presidential campaign. For grain, the Soviets were happy to oblige with an ambiguously worded treaty. In May 1972, the summit occurred with clockwork precision and Nixon signed the Antiballistic Missile (ABM) Treaty.<sup>14</sup>

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<sup>9</sup> Wicker, 481.

<sup>10</sup> *Ibid.*, 480-481.

<sup>11</sup> Carl J. Schramm, "The Perils of Wheat Trading Without a Grains Policy," *Challenge* 18, no. 1 (1975):36.

<sup>12</sup> Hersh, 348.

<sup>13</sup> *Ibid.*, 346.

<sup>14</sup> Wicker, 481.

In order for the United States to uphold its side of the bargain, the first thing that had to be done was to remove the 1963 Kennedy shipping restrictions. The maritime unions were very much against this move because it would negatively affect their members.<sup>15</sup> The Nixon administration was undaunted, however, and on 10 June 1971, it repealed the Kennedy order.<sup>16</sup> At the same time, it removed the requirement for companies to obtain permission from the Department of Commerce to export to a Communist country so by the end of 1971, all the hurdles to the purchasing of American grain by the Soviets had been removed.<sup>17</sup>

The grain deal could not have come at a better time for the Americans and Soviets. With the pending election in the United States, Nixon was eagerly waiting for a profitable grain sale to swing the votes of the agricultural community in his favour. The Soviets needed the sales to make up for the crop shortage that was being predicted for 1972. Fortunately, the United States was predicting a bumper crop.<sup>18</sup> However, the projection of a large American grain harvest, with demand for grain apparently remaining similar to previous years, decreased the price of grain on the futures markets. The lower futures prices meant that current grain prices decreased as well. Soviet grain buyers were able to take advantage of these lower prices in their negotiations with the American government and the private trade. With the success of SALT supporting Nixon's

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<sup>15</sup> Kissinger met with the president of the International Longshoremen's Association (ILA), Thomas "Teddy" Gleason, and the Director of International Affairs for the American Federation of Labor-Congress of Industrial Organizations (AFL-CIO), Jay Lovestone. He tried to bring the unions into agreement with the coming policy change but failed. The unions were understandably unhappy with the removal of the Kennedy shipping restrictions; however, they limited their public protests due to Kissinger's disingenuous assertions to the press that the unions were being moderate because of his June 9 meeting with them. Thereafter, the unions refused to work with Kissinger. The administration still needed to negate the chance the unions would refuse to load the Soviet ships even with the changed legislation. Therefore, a series of backroom deals began, which took until November to complete. Nixon asked Charles W. Colson to negotiate with the unions since they would no longer deal with Kissinger. With the deal that Colson negotiated, more funding for building merchant ships was placed in the country's budget. Secondly, it was agreed that Nixon would not veto new legislation that would require that a minimum of 50 percent of all imported oil be carried on American ships. The Nixon Administration believed there was only a small probability this legislation would pass, and ultimately it failed to pass the Senate.

Hersh, 344-437; Porter, 11; Wicker, 479-481.

<sup>16</sup> Wicker, 480.

<sup>17</sup> Porter, 11.

<sup>18</sup> *Ibid.*, 11-12.

election campaign, the Soviets came to Washington to negotiate a grain sale and as a spin-off gave Nixon's campaign an additional positive boost. This grain sale, from American government strategic reserves, would be heralded as the beginning of reconciliation between the two superpowers.<sup>19</sup>

Even though the Soviets wanted to purchase American grain, and the purchases had been clandestinely approved during SALT in 1971, the negotiations still went slowly. The main problem in the negotiations was that the Soviets did not want to pay the standard Commodity Credit Corporation (CCC) interest rate of 6.125 percent for the loan the United States would give them to finance their purchases.<sup>20</sup> But when the Soviets finally realized the extent of their crop failure on June 25,<sup>21</sup> they became much more cooperative. They did not want any uprisings occurring, should there be a food shortage, and they did not want to lower their livestock numbers because of a feed grain shortage. On 29 June 1972, Nikolai Belousov and the rest of the Soviet negotiating team returned to Washington, where they informed the USDA that the Soviet Union was going to agree to the credit offer, and once the final terms of the agreement had been reached, they would sign it.<sup>22</sup> On 5 July the USDA received an extremely negative report on the Soviet harvest potential for 1972 from the American ambassador's office in Moscow. This report would eventually prove to have greatly overestimated the harvest. At the time, though, the negotiators dismissed it because it seemed too negative.<sup>23</sup> USDA General Counsel Claude Coffman and the Assistant Secretary of Agriculture Carroll G. Brunthaver were

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<sup>19</sup> Henry R. Nau, "The Diplomacy of World Food: Goals, Capabilities, Issues and Arenas." *International Organization* 32, no. 3 (1978): 794-795.

<sup>20</sup> Porter, 13.

<sup>21</sup> The Soviet Union released its estimates for the potential harvest of its crops on the twenty-fifth of each month. Dan Morgan, *Merchants of Grain* (New York: The Viking Press, 1979), 148.

<sup>22</sup> Morgan, 148-149.

<sup>23</sup> Porter, 14.; U. S. Senate Committee on Government Operations, *Sales of Grain to the Soviet Union: Hearings before the Permanent Subcommittee on Investigations*, 93rd Cong., 2nd sess., 1974, 2.

the only people, other than Secretary of Agriculture Earl Butz, who knew the Soviets were willing to negotiate, and they were instructed by Butz not to circulate the information.<sup>24</sup>

The grain sales agreement between the Soviets and the Americans was publically announced on 8 July 1972. A jubilant Earl Butz stated: “This is by all odds the greatest grain transaction in the history of the world. And it certainly is the greatest for us.”<sup>25</sup> In theory, the agreement was to run from 1 August 1972 to 31 July 1975, with the Soviets purchasing a maximum of \$750 million worth of grain. To aid the Soviet purchases, the CCC was to grant them up to \$750 million of credit. The total volume of the sales would make the Soviets the largest customer for American grain in the world.<sup>26</sup> The agreement was not put before a government review committee as would have normally happened when such a large agreement was made. Since it was an election year, Nixon was quite happy to let Butz quietly finalize the deal in time for good public relations with the agricultural sector. Butz was so adamant about keeping it secret, that even Peter Peterson, the American Secretary of Commerce, did not learn about the deal until it was publicly announced, even though he was supposed to be in economic negotiations with the Soviets at the time.<sup>27</sup>

The Soviets had their own reasons for keeping the deal secret. In 1972, the deal with Washington was not the only American grain deal that the Soviets were making. On July 5, three days before the agreement with the American government was to be announced, the Soviets “signed contracts with Continental Grain Company to buy 4.5 million tons of corn, 3.65 million tons of hard winter wheat, and 350,000 tons of soft white wheat.”<sup>28</sup> The government negotiators working on the agreement did not know about this private sale, nor did they suspect

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<sup>24</sup> Morgan, 148-149.

<sup>25</sup> Quoted in Morgan, 120.

<sup>26</sup> Porter, 5.

<sup>27</sup> Szulc, 595-596.

<sup>28</sup> Porter, 14.

that the Soviets had planned to buy additional grain outside the volume that was agreed upon with the US government.<sup>29</sup> The Soviets needed to keep their dealings secret to prevent the price increases that would happen if the grain marketers realized how bad the projected Soviet harvest was and consequently, how great the Soviet demand for grain would be.<sup>30</sup> The government negotiators lacked this information, and so they did not realize the strength of their bargaining position. Kissinger would woefully write: “Our intelligence about Soviet needs was appalling. Our knowledge of what was happening in our markets was skimpy. The US government was simply not organized at that time to supervise or even monitor private grain sales as a foreign policy matter. The Soviets beat us at our own game.”<sup>31</sup>

The Soviets used their central buying agency to take advantage of the competitiveness of the American grain market. Since each grain company and the American government wanted to ensure that their deals with the Soviets stayed secret, the Soviets were able to give the impression to the companies and the government that they had made a deal only with the group that they happened to be negotiating with at the time.<sup>32</sup> The companies, the government, and the Soviets all agreed that in order for the price of wheat to be kept low, the farmers and small traders had to be ignorant of the Soviets’ purchasing intentions. Earl Butz, whose reputation painted him as fiercely protective of farmers, made sure that no news of the upcoming Soviet sales was leaked from the government. The grain companies, always noted for their secrecy, continued to operate out of view of the public and the government.<sup>33</sup> The market structure of the American grain trade enabled the various private traders and the government into keeping their actions secret

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<sup>29</sup> *Ibid.*,

<sup>30</sup> Szulc, 596-597.

<sup>31</sup> Kissinger, 1270.

<sup>32</sup> Kissinger, 1270; Nau, 795.

<sup>33</sup> Kissinger, 1269; Szulc, 596-597.

from each other, because they otherwise risked influencing the price of grain as their competitors tried to turn their actions into an advantageous situation for themselves.

Secrecy was very important to any company or group selling into the international grain market so that they could avoid being undersold by their competitors. This need to prevent their competition from knowing their selling price also applied to the Canadian Wheat Board since it was competing against the American-based grain companies who were selling to the Soviets as well. Equally as important to groups working in the international grain market as keeping their selling prices secret was keeping their sales and the exact quantities and qualities sold secret from their competitors. Any data about sales conducted by one company could, and likely would be, used by their competitors to gain a sales advantage. It was, therefore, important to the Canadian Wheat Board to work with as much secrecy as the private trade did since it was competing with the private companies to sell grain into the international marketplace.

In 1972 there was an additional reason for the American government to support and encourage secrecy around the Soviet purchases. Carry-over grain stocks were high in America and in the other major grain exporting countries.<sup>34</sup> The high carry-over stocks coupled with a generally stable level of demand each year meant that the international price stayed relatively low. While the yearly harvest yields did have a noticeable effect on prices, continual availability of the carry-over supplies meant that the affect of the harvest yields on international prices was always slightly dampened.<sup>35</sup> The American export subsidy program was meant to help offset the low international prices by providing companies with incentives to pay higher domestic grain

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<sup>34</sup> International Wheat Council, *1972 World Wheat Statics*, (London: International Wheat Council, 1973), 46.

<sup>35</sup> See the *World Wheat Statics* published by the International Wheat Council for the year between 1966 and 1971 for more detailed price and carry-over figures. International Wheat Council *1966 World Wheat Statics*, (London: International Wheat Council, 1967); International Wheat Council *1967 World Wheat Statics*, (London: International Wheat Council, 1968); International Wheat Council *1968 World Wheat Statics*, (London: International Wheat Council, 1969); International Wheat Council *1969 World Wheat Statics*, (London: International Wheat Council, 1970); International Wheat Council *1970 World Wheat Statics*, (London: International Wheat Council, 1971); International Wheat Council *1971 World Wheat Statics*, (London: International Wheat Council, 1972).

prices even though the companies would be selling the grain at the lower prices of the international market. The Soviet's high demand enabled more of the world's grain carry-over stocks to be disposed of in a single year instead of the slow drawing down of the stocks that had been the previous norm. If knowledge of the high level of demand created by the Soviet crop failures had become widespread then the fact that carry-over stocks were large may have served to keep the international price from rising due to anticipated increased demand relative to the amount of grain available to supply it. It was in the American government's interest, as well as the interests of international grain trading companies, to decrease the overall carry-over stocks so that in the long-term the market would be more likely to level off at a higher price point than it had in previous years because of the available supply volume being lessened. Additionally, the private trade benefited from the export subsidies which focused on moving large volumes of grain and the margin between their purchasing price and their selling price. Consequently being able to sell a greater than expected volume of grain from the carry-over stocks was to their pecuniary advantage.

Back in late June 1972, when the negotiations for a serious agreement began, the Soviets had contacted Continental and several other large grain companies with the express intention of purchasing large quantities of grain. The grain companies and the Soviets would continue to negotiate secretly, while the deal with the American government was being finalized. These negotiations would be kept secret from the government, leaving their negotiators to rely on imperfect information.

Continental was always cautious and needed to make sure that if they did sell to the Soviets, they would profit. To make a good profit, Continental needed to assure itself that American government subsidies would continue, even if the price of grain rose. Under this



subsidy arrangement, if the price for domestic wheat was higher than export wheat, the subsidies made up the difference.<sup>36</sup> Continental knew that the price of domestic and export grain would increase once it began purchasing stocks to sell to the Soviets. Therefore, it was imperative for them to determine if the government would keep the subsidies in place even with a price increase. If the subsidies were discontinued, the fixed-price agreement that was being negotiated with the Soviets would leave Continental in the unfortunate position of acquiring expensive domestic grain, and then selling it at a loss. Continental sent Bernard Steinweg, the head of its New York branch, to visit the Undersecretary of Agriculture, Carroll Brunthaver.<sup>37</sup> Steinweg was told that the government was prepared to continue its subsidies, which meant that Continental was free to close its deal with the Soviets, which it did on 5 July 1972.<sup>38</sup> The government negotiators were never informed of the events of this meeting, even though it pointed to the possibility of Soviet grain deals with the private trade. On 8 July 1972, the Soviets purchased 1 million tons of grain from Cargill and another 570,000 tons from Louis Dreyfus.<sup>39</sup>

Due to the secrecy surrounding the various deals that the Soviets had made, it was not until after 8 July, that the problems within the American grain market became obvious. The Soviets, instead of buying the \$200 million worth of grain the government assumed would be purchased within the first year, had purchased \$750 million with the aid of the credit extended

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<sup>36</sup> Morgan, 149.

<sup>37</sup> Brunthaver had replaced Clarence Palmby as Undersecretary of Agriculture. Palmby had worked with Butz on the earlier negotiations with the Soviets. At the beginning of June 1972, the negotiations were still in progress when Palmby resigned and began working for Continental. When he was later questioned about Palmby's actions, Butz said that he had known nothing about Palmby's interest in working with a grain exporting company, and had he known, he would have strongly advised Palmby not to involve himself in any government grain negotiations. The Department of Justice was asked to review the matter. Ultimately, it was decided that Palmby's change of employers, while suspicious, had not had any effect on the grain sales and was not in violation of any laws. Wayne G. Broehl, *Cargill: Going Global* (Hanover: University Press of New England, 1998), 211-213; Schramm, 37.

<sup>38</sup> Morgan, 150.

<sup>39</sup> *Ibid.*, 151-152.

from the CCC. The Soviets saved their hard currency for dealing with the private traders. Within the next two months the Soviets procured an additional 400 million bushels of grain.<sup>40</sup>

While the grain companies were making a healthy profit from the Soviets, the American government was also adding to their profits on each sale by making subsidy payments. The grain companies were selling American wheat at prices that “congressional experts remarked later, [were] ‘unrealistically low’.”<sup>41</sup> The companies were able to dismiss the small profit margin provided by these low prices, because of the subsidies they were getting from the American government which pushed their low profit margin upwards. These profit-margin increasing subsidies were paid to entice the companies to buy grain domestically for resale internationally. The system for the subsidies was set up so that companies could speculate on the actual subsidy, much like the set-up of the futures markets. A company could apply for the subsidy before or after it shipped the grain it had contracted to sell. A company applied for the subsidy after it shipped its product, if it believed that the domestic wheat price would rise, or the export price would fall. If either, or both, of these events occurred, the subsidy that the government would pay out would also increase to offset the cost of purchasing domestically and selling into the export market.<sup>42</sup> The subsidies during 1972 were “some of the highest subsidies in history”<sup>43</sup> and pushed up the profit margins of the companies involved.

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<sup>40</sup> After the sales on July 5 and 8, the Soviets bought 600,000 tons of wheat from Cook Industries on July 11, and an additional one million tons from Continental on July 20<sup>th</sup>. By this point, the Soviets had managed to secure roughly 11 million tons of grain and this ended the first series of American sales. In previous years, this volume would have been close to a third of the total American export sales. The second series of sales ran from July 29 to August 9, 1972. The breakdown of the Soviet purchases was: “1.75 million tons of corn, 100,000 tons of barley and 100,000 tons of sorghum from Continental; 1.5 million tons of wheat from Louis Dreyfus; 300,000 tons of wheat and 1 million tons of soybeans from Cook; 1 million tons of wheat from Cargill; and 350,000 tons of wheat from Garnac [the American associate of André].” The Soviets had purchased more than 18 million tons of grain by the end of 1972. Morgan, 151-152. See also: Porter, 14; Wicker, 481.

<sup>41</sup> Szulc, 597.

<sup>42</sup> This system allowed Continental to sell \$1.10 under the current price when it made its July 5 sale to the Soviets. Morgan, 151.

<sup>43</sup> Schramm, 37.

As knowledge about the Soviet purchases emerged, the export price began to rise so that it came closer to the American domestic price. In theory, the subsidies ought to have been ended once the two prices began to become equal to each other. Nixon, however, still had the 7 November election looming on the horizon, and removing subsidies would not endear him to the farmers or to the companies. The subsidies to the companies helped to keep the American export price around \$1.65 per bushel which under-cut foreign competitors. The two main competitors were the Canadian Wheat Board and the Australian Wheat Board. They both sent delegates to the USDA to ask it to effectively increase the American export price by lowering or discontinuing the subsidies.<sup>44</sup> The subsidies distorted the market prices and CWB officials had many informal discussions with various members of the USDA on the subject even before 1972.<sup>45</sup> The subsidy also allowed the Soviets to purchase the American grain at a discount.<sup>46</sup> The USDA, however, did not see a problem with this market distortion and it kept the subsidies at the same level, just as Carroll Brunthaver had informed Continental earlier that year that it would. 1972 was an election year which meant that there would not have been any attempt to lower or remove the subsidy since that would have hurt the profits of export grain companies.<sup>47</sup> But this price manipulation increased domestic prices for the grain, as the United States began to suffer from an internal grain shortage as a result of the large Soviet purchases. Consequently, the cost of food, especially milk, meats, and cereal products, increased toward the end of the year. These price increases also nudged inflation upwards.<sup>48</sup>

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<sup>44</sup> Porter, 12.

<sup>45</sup> Interview with former CWB staff member, October 28, 2009.; Interview with former CWB staff member, April 13, 2010 (anonymous source 1).

<sup>46</sup> Josef C. Brada, "The Soviet-American Grain Agreement and the National Interest." *American Journal of Agricultural Economics* 65, no.4 (1983): 652.

<sup>47</sup> Porter, 12.

<sup>48</sup> Marvin Kalb and Bernard Kalb, *Kissinger* (Toronto: Little, Brown and Company Ltd., 1974), 347; Porter, 6-7; Broehl, 207-208.

The USDA was not just content to provide domestic subsidies and credit sales to the Soviets; it also aided the private trade. When Continental was looking for 60 million bushels of wheat at the end of August, the USDA provided it from its strategic reserve at below market cost.<sup>49</sup> Continental, of course, collected a subsidy payment on the wheat when it was exported. By the end of 1972, the United States government had paid the grain companies several hundred million dollars in export subsidies. There is no definite amount for the subsidies. The academic Roger Porter places the total subsidies paid out at more than \$300 million. According to Porter, this figure also takes into account the \$46 million shipping subsidy that was used to compensate for the fact that the Soviets were transporting the grain on Soviet ships, instead of American ones. Economist Carl J. Schramm reports that the total subsidies were, at the very least, \$400 million,<sup>50</sup> while journalist Tad Szulc puts the amount down to only \$200 million. It appears that Szulc's figure does not calculate subsidies given for grains not purchased by the Soviets or the shipping subsidy.<sup>51</sup> Continental Grain Company would have indirectly received part of the \$46 million shipping subsidy, since Stellar Navigation Company was one of its branches. Stellar Navigation was responsible for chartering ships to deliver grain to the Soviet Union. While Cargill also possessed a transportation branch, it was never made clear if its transportation branch received any portion of the shipping subsidy.<sup>52</sup>

Even though it was an election year, the USDA and the United States Treasury came to the conclusion that it was not possible for the government to continue to pay such large subsidies indefinitely.<sup>53</sup> It was therefore decided that the subsidies would be reduced on 1 September, and

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<sup>49</sup> Szulc, 597.

<sup>50</sup> Schramm, 37.

<sup>51</sup> Porter, 18; Szulc, 598.

<sup>52</sup> Morgan, 151.

<sup>53</sup> From July 3<sup>rd</sup> to August 15<sup>th</sup> the export subsidy rose from \$0.05 per bushel to \$0.35 per bushel. At this time the USDA and the Treasury believed that the subsidy would continue to rise, unless its format was changed. Broehl, 202-204.

gradually phased out. Luckily for the exporters, the USDA warned them on 25 August that they could only claim the maximum subsidy value until 1 September 1972. The exporters, accustomed to speculating on the subsidies, were faced with a potential loss of profit. Within the next six days they applied for subsidies for a total “282 million bushels (7.67 million metric tons) of wheat...167 million (4.55 million metric tons) of them destined for the Soviet Union.”<sup>54</sup> The reduction of the export subsidies accompanied the end of the sale of 724 million bushels of grain to the Soviets.<sup>55</sup>

September brought with it growing public indignation over what seemed to be a far too intimate relationship between the grain exporting companies and the United States government. There was also the curious lack of information possessed by the USDA in its own negotiations with the Soviets. The House of Representatives convened a subcommittee that began hearings on the sales on 14 September 1972.<sup>56</sup> Fortunately for Nixon, the subcommittee was merely a cosmetic display. It did not find any incriminating information and chose not to investigate the contacts between the USDA and the export grain companies.<sup>57</sup> These hearings pacified the

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<sup>54</sup> Porter, 18. See also: Broehl, 202-207.

<sup>55</sup> The total amount was 724,910,709 bushels or 19,250,000 metric tons. Broehl, 200.

<sup>56</sup> The Senate also arranged its own subcommittee hearings but waited until July 1973 by which time Nixon was successful in his bid for re-election. It was chaired by Henry Jackson. This time, the relationships between the USDA and the private trade were investigated. As with the House subcommittee, the Senate hearings did not make any startling discoveries. The hearings took the same view on the possibility of farmers being cheated of larger profits as the House subcommittee had. Porter, 6.

It is interesting to note that Carroll Brunthaver and Earl Butz both stated during their questioning by the subcommittee that it was not until September 1972, during the House subcommittee's investigation, that they knew the full volume of grain purchased by the Soviets. However, Central Intelligence Agency (CIA) documents declassified later, show that the CIA had prepared two documents on the Soviet purchasing activities and sent them to the USDA on August 11 and 31 of 1972. Both documents were sent to Brunthaver. Broehl, 215; Morgan, 153-154; Porter, 6.

Speaking before the Senate subcommittee investigating Soviet grain purchases in 1974 Earl Butz remembered the 1972 sales as an event that "was politicized. People got emotional about it." Although he did warn the subcommittee that "as long as we attempt to maintain a market-oriented, market structure with independent, private firms conducting the business. It poses a very real problem." This was a change from his earlier testimony during the 1973 investigations where he did not consider the secretive nature of the private grain trade operating in the open market to be a problem. U. S. Senate Committee on Government Operations, *Sales of Grain to the Soviet Union: Hearings before the Permanent Subcommittee on Investigations*, 93rd Cong., 2nd sess., 1974, 50-53.

<sup>57</sup> Broehl, 208.

public. The uproar over increased food prices nominally caused by a domestic grain shortage died down and any questions about improper relations were smoothed over. The House subcommittee found that the farmers were correct in complaining that they could have made larger profits<sup>58</sup> if they had been informed earlier and more accurately about the Soviet purchases. It decided, however, that the farmers “had had the potential for information and made their own individual judgements.”<sup>59</sup> Additionally, the Soviets would continue to purchase grain from the United States, so the farmers could profit from those sales. Happily, for the Nixon campaign, the general public possessed a short memory. This short memory was coupled with a propaganda campaign that portrayed the grain sales as a great and continuing boon to the economy. So the American outrage over the sales faded quietly away to be replaced with the idea that America had triumphed over the Soviets once again.

In addition to engineering this apparent financial success for the United States, President Nixon had succeeded with SALT and managed to have a summit in Moscow. The Moscow summit had given Nixon solid foreign policy results for his campaign. As he told Congress when he returned on 1 June, SALT, the ABM Treaty, and the other agreements “represented ‘the first step toward a new era’.”<sup>60</sup> The Moscow summit had made Nixon appear to voters as a peacemaker.<sup>61</sup> Even maritime union leader, Teddy Gleason, once a vocal anti-Communist, threw his support behind Nixon and endorsed the grain sales to the Soviets.<sup>62</sup> Once Nixon’s

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<sup>58</sup> As information about the sales to the Soviet Union became public, the price of grain increased. For example, “farmers in Oklahoma and Texas who harvested wheat in June sold at around \$1.40 per bushel, whereas farmers in Minnesota and the Dakotas who harvested in August and September, after the deal was announced, received \$2.60 per bushel.” Schramm, 37.

<sup>59</sup> Broehl, 214.

<sup>60</sup> Kissinger, 1253.

<sup>61</sup> The general public was only informed that the Moscow summit had been a success. At the time it was not known that some of the negotiators felt that more concessions could have been gained from the Soviets, if the backroom dealing of Nixon and Kissinger had not placed constraints on their negotiations. Hersh, 529-560. See also: Kissinger, 1252-1257; Wicker, 482-483.

<sup>62</sup> Hersh, 348; Wicker, 481.

peacemaking actions were added to the illusionary financial benefit the grains sales had given the United States, it seemed obvious which candidate should be elected. On 7 November 1972 Nixon was re-elected in a landslide victory. It was only later that some of the American public would come to realize the full effect of the Soviet's purchases and their own government's involvement in them.

Unlike their American counterparts, Canadian farmers had a much different experience with the 1972 Soviet grain purchases. Canadian farmers knew that the Canadian Wheat Board was making sales to the Soviets during 1972. These sales were unremarkable for Canadian farmers who saw the sales as merely another instance of the CWB acting on their behalf. They were not concerned by Soviet purchases or the prices the Soviets were paying for Canadian grain. There were other issues and concerns within the Canadian agricultural community which were more important to farmers and received the majority of their attention.

At the time Canadian farmers were being served by the Alberta Wheat Pool, Saskatchewan Wheat Pool, and Manitoba Wheat Pool, in cooperation with the Canadian Wheat Board. Canadian farmers had become accustomed to working with these institutions and to the structure of the grain trade on the prairies since the end of the Second World War. The Wheat Pools provided farmers in each province with a network of delivery points as well as a structure around which to organize and socialize. The slight uncertainty of the Canadian Wheat Board's continued existence had been removed in 1967 when, with enthusiastic support from all parties, the legislation had been amended so that it no longer required a Parliamentary vote every five years to renew it. Even before the 1967 amendment there had been little doubt that each Parliamentary vote would reaffirm the CWB's single-desk mandate since the only time the vote

had not been unanimously in favour had been in 1947 when seven "no" votes had been cast by members from Ontario and Quebec.<sup>63</sup>

With the issue of the Canadian Wheat Board's continuing operation apparently decided western farmers shifted their focus to other agricultural issues. The Board worked, the majority of farmers believed, in their best interests and needed no intervention from farmers now that the 1967 amendment was in place. The structure of the Pools was solid and most farmers were content with it.<sup>64</sup> The western agricultural community was focused on the creation of more groups which would benefit farmers. In Alberta the Farmers Union of Alberta (FUA) was working towards the creation of more provincial marketing boards for everything from hogs to vegetables.<sup>65</sup> Meanwhile the provincial farmers' unions in British Columbia, Manitoba, Saskatchewan, and Ontario had merged into the National Farmers Union (NFU) in 1969 in order to have a stronger and more unified voice in federal lobbying efforts. The following year in 1970 an Act of Parliament officially recognized the charter of the NFU.

Within the western Canadian agricultural community there had always been a small minority of farmers who were ideologically opposed to the single-desk selling model of the Canadian Wheat Board. In 1970 a group of farmers and others who believed that agricultural policy in Canada, including the CWB's mandate, were no longer providing farmers with opportunities but was instead handicapping them from making an optimum profit, formed the Palliser Wheat Growers Association (PWGA).<sup>66</sup> The PWGA was the first in a string of groups<sup>67</sup>

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<sup>63</sup> John Herd Thompson, "A Response to David Bercuson and Barry Cooper, 'The Monopoly Buying Powers of the Canadian Wheat Board: A Brief History and Analysis.'" Submitted to Agriculture and Agri-food Canada, 1997 :, 12-13.

<sup>64</sup> Interview with Ernest Walter, 7 July 2009.; Interview with Janet Walter, 7 July 2009.; Interview with Fred Schutz, 12 August, 2009., Interview with farmer, 16 September, 2009 (anonymous source 5).

<sup>65</sup> Carol Jaques, *Unifarm: A Story of Conflict and Change*, (Calgary: University of Calgary Press, 2001), 198.

<sup>66</sup> Interview with Brian Otto 4 September, 2009.; Interview with Buck Spencer, 6 September, 2009.

<sup>67</sup> Most of these groups would originate in Alberta because the Alberta Grain Commission actively encouraged the formation of producer groups. It provided funding and logistical support to set up the groups and to keep them



all with similar mandates and overlapping membership<sup>68</sup> that would be formed throughout the next few decades. Of these groups, the Western Barley Growers Association [WBGA] formed in 1977 to "encourage the re-establishment of an open grain marketing system"<sup>69</sup>, became one of the longest lasting with a vocal and highly visible presence in the media and the agricultural community at large.<sup>70</sup>

The PWGA officially says they were formed with "the first policy objective...to obtain premiums on wheat."<sup>71</sup> The details of why and how the group was formed, however, are more nebulous since there is at present no official detailed history for the group. The most common explanation for the group's formation is that the initial members could not understand why there was a surplus of grain on the western Canadian prairies that could not be sold and American elevators were offering higher prices<sup>72</sup> than the CWB.<sup>73</sup> Like Ed Partridge, one of the founders of the Territorial Grain Growers Association and the Grain Growers' Grain Company<sup>74</sup> many years before, the PWGA went on a fact-finding mission to the Winnipeg Grain Exchange. Its

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running. Some of these groups were longer lasting and more successful at having a vocal presence in the media than others. Groups for more niche crops such as the Alberta Winter Wheat Growers tended to have lower profiles. *Alberta Grain Commission 25 Years*, Alf Petersen, "Alberta ag policy is top-heavy," *Western Producer*, 13 August 1992.

The PWGA was the example that the AGC used for other producer groups. John Channon, who headed the AGC, had met with the PWGA when they were first getting started and had been so taken with them that he was a card carrying member. Consequently, he brought many of the PWGA's policies and ideals into the policies of AGC. Jaques, 212.

<sup>68</sup> Alf Petersen, "Alberta ag policy is top-heavy," *Western Producer*, 13 August 1992.

<sup>69</sup> Western Barley Growers Association. "History," <http://www.wbga.org/history2.html> [accessed Sept 15, 2009]

<sup>70</sup> As of 2007 the Western Barley Growers Association officially had "130 members, almost all of whom are producers of barley across western Canada."

"Memorandum of Fact and Law of the Interveners Western Barley Growers Association, Jeff Nielsen, Douglas McBain, Stephen Vandervalk, Bob Copeland, LeRoy Newman, Conrad Johnson, Tom Hewson, Chris Carruthers, Ian Donovan and Art Walde," In *Friends of the Canadian Wheat Board et al v. Attorney General of Canada*, 2008, 1.

<sup>71</sup> Western Canadian Wheat Growers Association. "About," [www.wheatgrowers.ca/about.html](http://www.wheatgrowers.ca/about.html) [accessed Sept 15 2009]

<sup>72</sup> The higher American prices were spot prices which the group was comparing against the CWB pooled price. For more discussion of the problem of comparing spot and pooled prices see the succeeding pages.

<sup>73</sup> Baron, pg. 132-33; Earl, pg. 143; Interview with Doug McBain, 2 February, 2010.

<sup>74</sup> For a more complete biography see Murray Knuttila, "That Man Partridge," *E.A. Partridge, His Thoughts and Times*. Regina: Canadian Plains Research Centre, University of Regina, 1994.

members also went to Ottawa in search of answers. They came to opposite conclusions from Partridge: namely that the CWB was the problem and the open market represented by the grain companies and the Exchange was the solution. Mac Runciman, who was the then president of the United Grain Growers (UGG), had already been campaigning against the current status quo in the Canadian grain industry<sup>75</sup> and the PWGA members found him to be an informative and useful ally because of his experience and industry connections. The PWGA agreed with Runciman's conclusion that the surplus grain still in storage on the prairies "arose more from marketing policies than from a lack of boxcars."<sup>76</sup> While this conclusion sounded logical at first, it failed to account for the problem that releasing such a large surplus into the market all at once would cause a price crash. Even for the grain market the law of supply and demand could not be surmounted. The policy of the CWB was to provide a steady trickle of Canadian grain to the market in order to gradually bring down the carry-over surplus. CWB officials were deeply concerned that releasing too much grain too fast would cause a serious price crash from which the market would be slow to recover.<sup>77</sup> This concern over grain flooding the market and the resulting price crash was why the Soviet sales which brought down the carry-over stocks were considered to be so useful because the large sales allowed the CWB to quickly lower the carry-over instead of having to continue to do so gradually.

The perceived discrepancy between the American elevator spot prices and the CWB pooled prices was another area where the PWGA's theory that the open market produced better prices than the single-desk initially looked plausible but did not stand up to greater scrutiny.

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<sup>75</sup> For example in 1968 Runciman delivered a speech about the Canadian participation in the wheat market "to the Regina Chamber of Commerce Farm Forum" which concluded that the "prices [for wheat] were not sufficiently responsive to market conditions" which was a problem he blamed on the Canadian Wheat Board. Earl, 142.

<sup>76</sup> Earl, 142.

<sup>77</sup> Interview with former CWB staff member, 13 April, 2010 (anonymous source 1).; Interview with former CWB staff member, 28 October, 2009 (anonymous source 3).; Morris, *Chosen Instrument II*.

American grain prices could not be compared directly to Canadian grain prices because American grain was not priced the same way as Canadian grain. To compare prices several factors must be taken into account in addition to the exchange rate between the American and Canadian dollars. Fundamentally, the prices at American elevators were spot prices not the aggregated and weighted pooled price the CWB offered farmers.<sup>78</sup> Since the spot price is a price at a specific point in time and the pooled price<sup>79</sup> is the average difference between different classes and grades over a set time period the comparison of the two types of prices is an exceedingly complex technical problem. Furthermore, American farmers and the USDA did not want Canadian farmers to sell their grain into the American system when there was already surplus carry-over stocks in the United States. That action would serve only to decrease American prices and clog up the American transportation and handling system including terminals and elevators. There was also no guarantee that if a Canadian farmer did get their grain to an American elevator they would arrive in time to receive the spot price for their grain since the spot price could change quickly throughout a single day. Nevertheless, these factors did not prevent PWGA members from looking at American prices as an example of the CWB's failure in the grain market.<sup>80</sup>

By 1972 there were other issues at play within the agricultural community which took precedence for farmers. These issues, however, were indirectly related to the debate over the Canadian Wheat Board. The NFU was quickly rising to prominence within the farm community as an organization that demanded attention. It and the Alberta-based Unifarm were embroiled in

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<sup>78</sup> How to accurately compare the difference between a spot price and a pooled price is a question which continues to be a point of contention between the pro- and anti-Board sides of the debate since there is no singular way to do it. The general disagreement between the two sides is that the pro-Board feels that comparing spot to pooled prices is akin to comparing apples and oranges whereas the anti-Board side thinks the prices are comparable without any adjustment.

<sup>79</sup> CWB price pooling is often referred to as price averaging even though the calculation of the pooled price is more complex than just an average of the overall price.

<sup>80</sup> Interview with George Calvin, 21 July, 2009.; Interview with farmer, 15 October, 2009 (anonymous 4).

a very public and often heated debate over the question of whether Unifarm should join the NFU or continue on its own. This debate was widely covered in the farm press. The letters section of the *Western Producer*, the largest of the farm papers, frequently printed letters that expounded on the benefits of Unifarm and decried the idea of joining with the NFU or *vice versa*. The debate over Unifarm vs. the NFU was not confined to the *Western Producer* as many papers with rural readership printed letters on the subject.<sup>81</sup> Writer John Schmidt devoted his column "Agricultural Alberta" in the *Calgary Herald* to attacking the NFU as an untrustworthy organization with close ties to the Communist Party of Canada and therefore the Soviet Cominform.<sup>82</sup> While Schmidt did not give Unifarm any notable support in his columns he did not single it out as a hotbed of Communist activity which, he felt, sensible farmers would avoid at all costs. The underlying message of his columns was that if a farmer felt it necessary to belong to either organization it would be wiser to belong to Unifarm.

Schmidt's attacks on the NFU were part of an on-going trend of trying to discredit the NFU and its policies by characterizing it as communist, or in later decades as socialist. Since the NFU vocally supported the CWB, communist fear mongering about the NFU also indirectly implicated the CWB too, and this implication dove-tailed with anti-Board claims the CWB was a Communist organization that took away farmers' freedom. John Channon's remarks that he needed "to find a new mailing address for the CWB — [in] Moscow"<sup>83</sup> fit into this mentality and also supported it because Channon was part of the Alberta Grain Commission not just a random individual. While *The Producer* was publishing stories about Brazil importing more Canadian

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<sup>81</sup> For example see the *Alliance Enterprise* or *The Albertan*

<sup>82</sup> In his column Schmidt explained that "[t]he Communist Party of Canada, although legal, is unlike other political parties in that its allegiance is to the Cominform. All national Communist parties through-out the world are controlled by the Cominform." John Schmidt, "Agricultural Alberta," *Calgary Herald* 13 June 13 1972. The use of Cominform is not accurate since the Cominform had been officially disbanded in 1956. Encyclopedia Britannica, "Cominform." Chicago: Encyclopedia Britannica, 2012. <http://www.britannica.com/EBchecked/topic/127612/Cominform> [accessed 2 July 2012].

<sup>83</sup> Alberta Grain Commission, 25 Years

wheat<sup>84</sup> or reports of grain exports to the Soviet Union<sup>85</sup> Schmidt continued to focus on the dangers of Communists.<sup>86</sup> To that end, he provided a four-part account by supposed insiders from the NFU showing how it had ties to the Soviets and embraced Communism. The account, as presented by Schmidt, was from James Rawe, who was "Alberta director of organization"<sup>87</sup> for the NFU between 1969 and 1970 and Bob Cheshire who was a regional coordinator.<sup>88</sup> According to Schmidt, Rawe believed that "Canadians are not fully aware of the lengths to which the Communist party of Canada have gone to take over this Canadian farm organization."<sup>89</sup> Rawe's account opened with a hint of the scandalous when he recalled, "It was there I saw my first copy of a Communist journal, Mass Line, which was being distributed within the [NFU's 1969 founding] convention,"<sup>90</sup> Rawe detailed how he had been given lists of Alberta farmers by the NFU who he discovered were Communists and how Cheshire and Bert Simmons, another NFU regional coordinator, told him their suspicions about Communist money funding the NFU. He explained how he and Cheshire were not able to remain silent after they witnessed Simmons being "purged off the national NFU board"<sup>91</sup> and they could not in good conscience stand idly by so they "contacted Canadian security authorities and gave them a report. Rawe continued to report to these authorities."<sup>92</sup> His discovery of a "mimeographed mailing from the Communist Party of Canada"<sup>93</sup> was the final piece of evidence that confirmed his fears and shortly after he parted ways with the NFU.

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<sup>84</sup> *Western Producer*, 15 June 1972.

<sup>85</sup> *Western Producer*, 27 April 1972.

<sup>86</sup> Interview with Roy Atkinson, 10 September, 2009.

<sup>87</sup> Schmidt *Calgary Herald* 14 June, 1972.

<sup>88</sup> *Ibid.*,

<sup>89</sup> Schmidt *Calgary Herald* June 13 1972

<sup>90</sup> Rawe quoted in Schmidt *Calgary Herald* June 14 1972

<sup>91</sup> *Ibid.*,

<sup>92</sup> Schmidt *Calgary Herald* 14 June 1972.

<sup>93</sup> Schmidt *Calgary Herald* 15 June 1972.

Rawe's exact status with the NFU was a source of contention since agreement could not be reached on if he was a member or a hired organizer. This question, rather than the accusations of the NFU's Communist ties, was still a major issue by August of 1972 with William Dascavich writing in a letter to the Editor of *The Enterprise* "[i]t is generally ASSUMED that he was a member of the NFU. THE TRUTH IS THAT HE NEVER WAS A MEMBER. . . . Cheshire resigned. Rawe was fired. He deserved it. The NFU in Alberta is better off because of it."<sup>94</sup> The question of the NFU's potential Communist ties was a strictly Canadian event which was given more importance than the American-Soviet grain deals by the Canadian agricultural community, particularly the Alberta agricultural community. These anti-Communist attacks on the NFU were part of a growing tradition of opponents of pro-CWB organizations accusing the organizations and the CWB of being Communist. Schmidt's columns describing the NFU as being a hot bed of subversion and Communist activity implied that any policy or organization supported by the NFU was also Communist. Echoing the basic ideas of American McCarthyism, the implication was that the NFU and its members were un-Canadian in their thoughts and deeds. The implication was strongly reflected back on the CWB. To some members of the agricultural community Communist was synonymous with a lack of freedom. This idea — that the CWB was Communist — complimented the anti-Board side's argument that the CWB prevented farmers from being truly free to sell their own product and maximize their returns. Accusations of Communism leveled at the NFU transferred to the CWB partly because of the way Communist fear mongering complimented the messaging of the anti-Board side. Additionally, accusing the NFU and its members of being Communist, was an attempt to discredit them and the policies and programs, like the CWB, they supported. Members of anti-Board groups, such as the Alberta Grain Commission and the WCWG, played up fears of

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<sup>94</sup> William Dascavich, "Letter to the Editor," *The Enterprise Alliance*, AB, 24 August 1972, 2.

Communism or Socialism in their messages about the CWB and its supporters like the NFU. This style of attack was rooted in Alberta political culture where accusations of Communism or Socialism carried into the 1990s.<sup>95</sup>

In 1972 the majority of western Canadian farmers were not focused on the international grain market particularly the market outside of North America. As they had done in previous years they trusted the CWB to look after their best interests. Instead their attention was turned to the rapeseed<sup>96</sup> futures market. Publically funded breeding programs had lowered the acid content of rapeseed so that by 1972 it was assumed that it would be making large inroads into both the human and animal markets. Naturally, this assumption led to increased speculation in rapeseed futures that crop year. The Winnipeg futures market moved briskly until prices plunged without explanation. The prices remained low until the final weeks of the crop year when they spiked sharply. What had looked like a high-return crop when it was planted in the spring had suddenly turned into a loss. Farmers wanted an explanation for the plunge in rapeseed prices. The movements of the futures market were considered to be highly suspicious and the Royal Canadian Mounted Police (RCMP) began investigations.<sup>97</sup>

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<sup>95</sup> Regardless of their actual meanings in Alberta both words were used interchangeably and were considered to have the same negative connotations. In the 1990s it became slightly less damning to accuse opponents of Communism because of the fall of the Berlin Wall and the general understanding that the Soviet Union and therefore Communism had failed. A good example of the use socialist and communist is this exchange between then Minister of Agriculture Walter Paszkowski and Liberal MLA Nick Taylor.

"MR. PASZKOWSKI: That's called socialism, Nick. You're a real advocate of socialism; aren't you?

MR. N. TAYLOR: Sure. Call me a communist. That's what you usually do. I just throw that idea out, because I'm very suspicious of what I see being formed now. They're taking a good idea, what the minister is working on.

MR. PASZKOWSKI: Ross Harvey would love you.

MR. N. TAYLOR: Quiet, minister of agriculture. I am talking to your one intelligent minister right now...." *Alberta Hansard* February 28, 1995, 266.

However, even though the use of Socialist become more prevalent the use of Communist did not disappear entirely. Dr. Steve West, who was the Minister for Municipal Affairs at the time, stated "[y]ou're a communist." in an exchange with Liberal MLA Michael Henry.

*Alberta Hansard*, 12 April 1994, 1139.

For another example see *Alberta Hansard*, 20 September 1993, 344.

<sup>96</sup> After the acid content had been lowered rapeseed was rebranded as canola.

<sup>97</sup> John Morriss, "Inevitable but boring," *Farmers' Independent Weekly*, vol. 3, 37 (2004), 4.

Western Canadian farmers, many of who had grown or were contemplating growing rapeseed, watched the news for any new developments. The Soviet grain purchases that were leading up to the "Great Grain Robbery" were of little concern for Canadian grain farmers since the CWB dealt with those grains, whereas the CWB had no mandate to deal with rapeseed which meant that farmers themselves were watching the market for rapeseed. Eventually the RCMP investigation concluded that there was not enough information to go forward with criminal proceedings but some farmers still felt a swindle had taken place.<sup>98</sup>

Even before the price shifts in rapeseed there had been some discussion within the agricultural community that rapeseed should become a "Board grain" and be placed under the CWB's mandate just like wheat, oats, and barley. Since the Wheat Board was consistently returning profits to farmers, it was easier to contract with the CWB than it was for the individual farmer to play the market. The significant price shifts in 1972 which hurt many farmer-sellers provided a fresh impetus for renewed advocacy to make rapeseed a Board grain. This advocacy continued into 1973 when the federal government finally decided to conduct a poll to gauge how many farmers would support rapeseed becoming part of the CWB's mandate.

George Turner, who had been the President of Manitoba Pool Elevators, was given the task of handling the mail-in poll on the future of rapeseed sales by Agriculture Minister Otto Lang in October 1973. Immediately, both the pro- and anti-single-desk sides of the agricultural community increased their campaigning to influence the way farmers would vote on the rapeseed question.<sup>99</sup> The National Farmers Union and the three prairie Pools were all in favour of placing rapeseed under the single-desk while the Winnipeg Commodity Exchange and The Rapeseed Association of Canada (RAC), which would later change its name to the Canola Council of

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<sup>98</sup> Interview with farmer, 16 September, 2009 (anonymous 5).

<sup>99</sup> William E. Morriss, *Chosen Instrument II: A History of the Canadian Wheat Board: New Horizons*, (Winnipeg: The Prolific Group, 2000), 123.



Canada, were vehemently opposed to the idea. RAC's members<sup>100</sup> included rapeseed processors who would have been negatively affected by having to purchase Canadian rapeseed through the single-desk system instead of the open market system that was currently in effect. RAC placed a full page ad in the *Western Producer* which featured six rapeseed farmers from across the three prairie provinces giving testimonials on why they would not support putting rapeseed under the CWB's mandate.<sup>101</sup> The testimonials included many of the ideas and much of the language that became a feature of the debate over the Canadian Wheat Board over the next decades. A farmer identified as Jack Deck of Brooksby, Saskatchewan was quoted as saying "I think by going under the Wheat Board I'm losing my freedom. I like to stay an individual and make my own decisions."<sup>102</sup> The idea that the CWB took away individual freedom would be one of the most consistent messages of the anti-Board faction throughout the 1990s with the Farmers for Justice and into the CWB director election campaigns of the 2000s.

Those who supported putting rapeseed under the Wheat Board's mandate shifted their language to reply to the freedom and liberty rhetoric. One letter-writer warned that opponents of making rapeseed a Board grain were making a "last ditch stand to seduce Canadian Rapeseed Growers into perpetual servitude under the so-called "Open Market" system of selling rapeseed."<sup>103</sup> Many proponents of putting rapeseed under the single-desk also lamented that the opposing side seemed to be either ignorant of or forgetting their own history when it came to farmers dealing with the open market. One writer, identifying himself only as Scotty, wrote "The young people can't remember the old battles we had for the Pools and orderly marketing. They can't remember some of them never having the Pool and Wheat and there is a danger that

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<sup>100</sup> When RAC was initially formed getting rapeseed growers to become members was one of the main issues for the Board. Paul D. Earl, *Mac Runciman: A Life in the Grain Trade* 150.

<sup>101</sup> *Western Producer*, 6 Dec 1973, 3.

<sup>102</sup> *Ibid.*,

<sup>103</sup> Walter Manchester, "Consider the Facts," *Western Producer*, 13 December 1973, 29.

they will not value them as they should be." <sup>104</sup> These writers turned to history to give their replies weight and while this reference to the history of the western Canadian farm community did not silence the opposition, the opponents tended to leave the points made by such letters unanswered. Instead, open market supporters retaliated with counter-claims that the Pools, federal government, and CWB were covering up bad managers and the western farmers were getting less than they deserved. L. K. Walker maintained, "[f]or 35 years you [supporters of orderly marketing] have snowed us with endless and ever-weakening defenses of a system that will not stand a close examination. The blunders, bungles, fire-sale prices, political expediency and motivation, sell-outs and misrepresentation may not be visible to those whose main interest is the promotion of a complete authoritarian agricultural industry, but anyone; who has farmed all his life knows that he has been exploited and by whom." <sup>105</sup>

Dollars and cents always surface when two sides are disagreeing over accusations of financial mismanagement, and this case was no exception. The idea that the CWB was not securing for farmers the prices they truly deserved had been brought up in the western farm community before <sup>106</sup> the rapeseed vote, and those earlier ideas were incorporated into the arguments over making rapeseed a Board grain. The President of the Saskatchewan Wheat Pool "Mr. [E.K. "Ted"] Turner said the Canadian Wheat Board is currently selling wheat for a dollar a bushel more than the U.S. is getting through deals made by the private grain trade with the Soviet Union and others. If the farmer gets a higher price in the U.S. it is because of government support and not because any particular skill was shown in marketing American wheat."<sup>107</sup> Turner's reference was one of the few allusions to the 1972 Soviet-American grain deals during

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<sup>104</sup> "Scotty", "Lesson of 58 Years," *Western Producer*, 13 December 1973, 29.

<sup>105</sup> L.K. Walker, "Open Market Proponent," *Western Producer*, 13 December 1973, 29.

<sup>106</sup> Interview with Brian Otto 4 September, 2009.; Interview with Doug Campbell, 24 February 2010 and 16 March 2010.

<sup>107</sup> "Free Market System not best" *Western Producer* December 13, 1973, pg.7

the debate over making rapeseed a Board grain. For western farmers on both sides of the debate the most important point Turner had made was that American farmers got "government support"<sup>108</sup> not the higher price the CWB was receiving from buyers. The idea that American farmers succeeded at selling their grain on the open market and made up any difference in price with government subsidies was attractive to the anti-Board faction, especially when they were arguing that rapeseed did not need to be a Board grain. Government subsidies were more palatable than the CWB to these groups because the use of government subsidies would allow for the continuation of the private market. They were certain that the single-desk approach of the CWB constituted too much government interference in farmers' business, whereas the open market augmented by the occasional American style government subsidies would be the perfect balance between government involvement and producer choice.<sup>109</sup>

It would be erroneous to assume that the Canadian agricultural community simply did not know about the Soviet-American sales and therefore was unable to fit them into their understanding of the grain trade. Throughout 1972 the *Western Producer*, as well as other smaller newspapers, carried stories about the Soviet-American deal but these were usually relegated to the interior pages in favour of placing Canadian news stories on the front pages. More importantly, prior to the Soviet-American grain deals becoming public knowledge in the United States, the *Western Producer* had already run a story about the Soviets placing purchase offers for Canadian grain with the CWB.<sup>110</sup> The Soviets had bought Canadian grain from the CWB in previous years and their purchases in 1972 were considered to be business as usual. A story about Brazil wanting more wheat than in the past, for example, was cause for more interest

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<sup>108</sup> *Ibid.*,

<sup>109</sup> Interview with Buck Spencer, 6 September, 2009.

<sup>110</sup> *Western Producer*, 2 March 1972.

because it was unexpected.<sup>111</sup> The *Producer's* coverage of the various CWB grain sales elicited little farmer comment because they considered it unremarkable and only used the information about increased sales to gauge what crops to plant that year. When the first sale between the Soviets and the American government became public, the *Western Producer* ran a story on why, according E.K. Turner, the sales would not hurt Canada. It was a short article buried toward the middle of the paper indicating that the *Producer's* editors did not think it was an issue that concerned many farmers.<sup>112</sup> Even if a farmer was concerned that the massive sale would hurt Canada's chances of selling the Soviets more grain the articles in the next issues would have lessened any concerns. The *Producer* reported "Soviet crop problems said to be worsening"<sup>113</sup> and followed this story up with one on how the Soviets would be purchasing more wheat and barley from Canada.<sup>114</sup> There was never any suggestion in the articles or in the letters to the editors that the Soviet-American sales would prevent Canadian farmers from selling their grain or reduce Canadian grain prices.

After news of the Soviet deals with the private grain trade became known the only time that Canadian farm organizations took a public stance was when some of them, in conjunction with many American farm organizations, "criticized the last two International Grains Arrangements, saying the lack of effective price provisions has kept world wheat prices low since 1967...[and] farmers are not benefitting fully and fairly from the present record world grain sales....the lack of international co-operation is responsible for prices to farmers remaining at low levels, despite the present high export demand."<sup>115</sup> This criticism fit much more closely with the point made by the Australian and Canadian Wheat Boards, as well as other exporting countries,

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<sup>111</sup> *Western Producer*, 15 June 1972.

<sup>112</sup> *Western Producer*, 13 July 1972.

<sup>113</sup> *Western Producer*, 20 July 1972.

<sup>114</sup> *Western Producer*, 27 July 1972.

<sup>115</sup> "Farm groups hit world grain pact" *The Albertan* (Calgary, AB) September 9, 1972, 2.

that the American government subsidies were depressing the world price yet this criticism was ignored.

Even before the news was made official, staff at the Canadian Wheat Board were already aware that the Soviets were going to be having lower than expected yields for their harvests. As one former CWB staff member recalled, a USDA staffer would later ask how the CWB had acquired such good intelligence.<sup>116</sup> The CWB operated what the *Western Producer* dubbed an "intelligence wing"<sup>117</sup> where staff kept up-to-date on events in the exporting and importing countries and in turn passed this information to the rest of the Canadian Wheat Board's staff. The credit for much of the CWB's knowledge of the Soviet's upcoming bad harvests lay with a woman who had been involved with the Ukrainian agriculture ministry before she had come to Canada and subsequently been hired by the Canadian Wheat Board. Her experience allowed her to "read between the lines,"<sup>118</sup> which in turn gave CWB negotiating teams a stronger position when the Soviets wanted to buy Canadian grain.<sup>119</sup> In 1972, armed with the knowledge that the Soviets were facing a particularly low harvest, the CWB negotiators stretched sales out as long as they could because the international grain market set the grain prices which formed the base price from which the CWB was forced to negotiate with the Soviets. Until the international market realized and reacted to the fact that the Soviets' poor harvest was going to result in a significant increase in demand for the 1972 crop, the CWB could not take much advantage of its knowledge. They, therefore, made small sales to the Soviets so that each time the Soviets came back for more grain the price had risen.<sup>120</sup> Once world grain prices began to climb sharply in the

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<sup>116</sup> Interview Anon 2

<sup>117</sup> *Western Producer* May 4, 1972

<sup>118</sup> Interview with former CWB staff member, 13 April, 2010 (anonymous source 2).

<sup>119</sup> Interview with former CWB staff member, 13 April, 2010 (anonymous source 2).

<sup>120</sup> Interview with former CWB staff member, 13 April, 2010 (anonymous source 1).; Interview with former CWB staff member, 28 October, 2009 (anonymous source 3).

summer of 1972, the Soviets were still buying from the CWB so Canadian farmers benefited from the Soviet-American deals becoming public. The CWB's *Annual Report 1972-1973* shows increased sales figures and revenue compared to previous years.<sup>121</sup> As a staff member put it, Canadian farmers "did very well."<sup>122</sup>

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<sup>121</sup> Canadian Wheat Board, *Annual Report 1972-1973*, (Winnipeg: Canadian Wheat Board)

<sup>122</sup> Interview with former CWB staff member, 13 April, 2010 (anonymous source 2).

During the rest of the decade the CWB's *Annual Report* would make passing mentions to the high prices for the 1972-73 crop year which had been created by the Soviet sales in relation to how the grain market had performed that year

## Chapter Three

### The Great Grain Robbery Rides Again

Beginning in the early 1990s the concept of the Canadian Wheat Board (CWB) "stealing" grain and consequently farmers' rightful profits through underselling became a prominent part of the debate around the validity of the single-desk. The "great grain robbery" was resurrected and given a new meaning to encompass the ideas of the anti-Board side of the debate. Don Baron's 1998 book *Canada's Great Grain Robbery* resonated within parts of the western Canadian agricultural community and helped to advance the resurrection and repurposing of the "great grain robbery" catch-phrase. The book created a coherent narrative out of the various points made by the anti-Board side, and, with its title, provided a resonate and already popularized catch-phrase that could be used to summon up that narrative. Although the phrase referenced the 1972 Soviet-American sales, they were only a small part of Baron's "great grain robbery". Instead, Baron saw the "great grain robbery" as a decades-long event that began with the 1901 formation of the Territorial Grain Growers Association and continued into the 1990s. The book claimed western farmers had been systematically prevented from selling and profiting from their own grain while at the same time Canada's agricultural system was failing farmers in a variety of ways, from a lack of market information to slow rail transport because of inherent problems within the design of the transportation system. It was, Baron argued, the Canadian Wheat Board and its supporters who were the main cause of these problems. Within the agricultural community opinion was divided on the book. Anti-Board farmers saw the book as a vindication of everything they had been saying, while pro-Board farmers felt it was misleading at best and grossly inaccurate at worse. For both sides, however, it helped to codify the points that the anti-Board side of the farm community had been making vigorously throughout the 1990s.

The revival of the term "great grain robbery" within the western Canadian agricultural community had its roots at the end of the 1980s, even though by the beginning of the 1980s the American-Soviet grain sales had already faded into a distant memory for most of the Canadian agricultural community. For the majority of Canadian farmers, the sales had been close to a non-event although they had reaped the high prices that had been created partly as a result of the Soviet's massive purchases depleting the world grain carryover stocks. The campaigning by pro-open market groups, like the Palliser Wheat Growers Association (PWGA) and Western Canadian Barley Growers Association (WCBGA), to make Canada a fully private market, or so-called open market, for grain was continuing but without particular note by the rest of the farm community. At the opening of the decade many farmers still considered them to be fringe groups with few members and such an extreme position that it was difficult to take them seriously.<sup>1</sup> The PWGA and other like-minded organizations were undaunted and continued to advocate for the changes they wanted to see in the Canadian grain industry, including the end of the Crow's Nest Pass Freight Rate Agreement (the Crow). While there was considerable debate within the agricultural community over these and other issues, the Soviet sales were not cited as a historical example.

At the end of the 1980s there were two events which anti-Board groups took as a positive sign that Canada's grain industry could change in their favour and which encouraged them to become even more vocal in their opposition to the current system. The first was the signing of the 1988 Canada-US Free Trade Agreement. Before the agreement there had been an unspoken rule that delivering large quantities of Canadian grain into the United States was bad form. After the Free Trade Agreement was signed, however, that unspoken restriction on grain delivery was

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<sup>1</sup> Interview with George Calvin, 21 July, 2009.; Interview with George Braithwaite, 27 August, 2009.; Interview with Ernest Walter, 7 July 2009.; Interview with Fred Tait, 16 March 2010.



removed. While it had been argued that the Americans would not take kindly to Canadian farmers delivering large quantities of grain into the American system and thereby driving down prices and clogging the American grain handling system, free trade made it sound as though the Americans had agreed to Canadians delivering into their system without any restrictions. In reality, the Americans remained just as opposed to Canadian grain flooding their system after the 1988 Agreement as they had before. This fact did not stop groups like the PWGA and the WCBGA who argued for giving farmers greater access to the American market by removing the CWB and giving Canadian farmers what they saw as an open market.

The second sign occurred a year later, in 1989, when the open market became a reality for oat growers. For the previous several years the Alberta Grain Commission (AGC) had been increasingly vocal about the need for oat growers to take advantage of so-called "pony oats."<sup>2</sup> Pony oats were high quality oats which were bought to feed race horses. They were a niche market that was well supplied by only a handful of oat growers. The AGC, however, pointed to the high-priced pony oats as an example of the CWB failing to get the optimum price for producers who were selling their oats through the CWB's oat pools.<sup>3</sup> When Charles "Charlie" Mayer, the Conservative Minister of State for Grains and Oilseeds, removed oats from the CWB's mandate in 1989, it came as a shock to the agricultural community, particularly to pro-Board farmers who had not expected the minister would truly take oats off the Board's mandate.<sup>4</sup> Canadian Wheat Board staff had known that the removal of oats would happen and had been taking steps to try to minimize the problems it would cause for the CWB's oat pool.<sup>5</sup> The removal of oats from the single-desk led to a surge in the supply of oats available for purchase.

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<sup>2</sup> *Alberta Grain Commission 25 Years*

<sup>3</sup> Interview with farmer, 16 September, 2009 (anonymous 5).; Interview with George Braithwaite, 27 August, 2009.; Interview with farmer, 15 October, 2009 (anonymous 4).

<sup>4</sup> Interview with George Braithwaite, 27 August, 2009.; Interview with George Calvin, 21 July, 2009.

<sup>5</sup> Interview with former CWB staff member, 13 April, 2010 (anonymous source 1).

This sudden increase in supply was the result of many individual sellers trying to sell their oats at the same time, whereas before the CWB had been regulating the supply of Canadian oats that was available to the market. Unsurprisingly, the price of oats promptly crashed and it remained low for several years.<sup>6</sup> Nevertheless, the removal of oats from the Board was still seen as a victory for groups like the PWGA and the WPGA.<sup>7</sup> It made these groups believe that the federal government was on their side when it came to changing Canadian agriculture and therefore they only needed to keep advocating for the changes they wanted to make them happen in short order.

The next major event which would be woven into the mythology surrounding the CWB occurred in 1993 when the Conservative government implemented the Continental Barley Market (CBM). The announcement from Conservative MP Charlie Mayer, then Minister of Agriculture, that the CBM would come into effect on 1 August 1993 was enthusiastically supported by anti-Board groups "includ[ing] the Western Barley Growers Association, the Alberta Cattle Commission, the Alberta Pulse Growers Commission and the Oat Producers Association of Alberta."<sup>8</sup> Ralph Klein, who had just been recently elected Premier of Alberta, threw his government's support behind Mayer and the CBM, declaring that "[t]oo many rules and regulations hinder Alberta farmers` ability to compete in global markets."<sup>9</sup>

Pro-Board groups, however, were outraged by Mayer's decision. Since more farmers grew barley than oats<sup>10</sup> the outcry over the Continental Barley Market was considerable. Twenty-one agricultural organizations, including the Alberta Wheat Pool and Unifarm, released

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<sup>6</sup> *Western Producer* Orderly Marketing Supplement, 22-23. It was only after oats gained the reputation as being a "health food" in the 1990s, therefore increasing the demand, that the price approached the same levels that it had been at under the CWB.

<sup>7</sup> The Western Canadian Wheat Growers Association lists the removal of oats from the Board as one of their major achievements. Western Canadian Wheat Growers, "About," [www.wheatgrowers.ca/about.html](http://www.wheatgrowers.ca/about.html) [accessed Sept 15 2009].

<sup>8</sup> Duncan Thorne, "Farm groups fume at Mayer; They fear direct selling of barley will lead to lower prices" *Edmonton Journal* 10 June 1993, 6.

<sup>9</sup> Ralph Klein quoted in Susan Braungart, "Rules Hurting Farmers: Klein" *Calgary Herald* 30 March 1993, 8.

<sup>10</sup> Statistics Canada; Canada Grain Commission Statistics.

a joint statement which called Mayer's implementation of the CBM through an order-in-council "an affront to the principles of open and consultative government, and to the very principle of democracy itself."<sup>11</sup> It is interesting to note that groups like the Canadian Broiler Hatching Egg Marketing Agency and the Dairy Farmers of Canada were among the signatories, even though they did not deal directly with grain marketing because they had "common cause [in] the continuation of what they call orderly marketing systems."<sup>12</sup> This joint statement echoed the sentiment from Wilf Harder, then head of the Wheat Board Advisory Committee, who was quoted as saying "I think [the CBM is] a real slam on the democratic system . . . Thousands of farmers in this country and every major producer organization in Canada told the minister not to do it. The minister did not listen. Instead, he turned his back on farmers. He abandoned farmers, the very people he is supposed to protect." <sup>13</sup>

Part of the justification<sup>14</sup> for the implementation of the CBM came from a study<sup>15</sup> by University of California economist Colin Carter which concluded that farmers would realize a profit gain from the implementation of the CBM. To many opponents of the CBM, this study's credibility was suspect because the Carter study was commissioned by the Conservative government and its conclusions supported the government's ideological position. The study's methodology and conclusions were not considered credible by many of the opponents of the CBM. Charlie Swanson, president of Manitoba Pool, described the study as "overly

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<sup>11</sup> Duncan Thorne, "Farm groups fume at Mayer; They fear direct selling of barley will lead to lower prices" *Edmonton Journal* 10 June 1993, 6.

<sup>12</sup> *Ibid.*,

<sup>13</sup> The Globe and Mail, "Farm policy changes spark angry response," *The Globe and Mail*, 5 June 1993, 6.

<sup>14</sup> For example, "The changes affecting the wheat board come into effect Aug. 1. Key to Mr. Mayer's decision was a report earlier this year by Colin Carter" *The Globe and Mail* "Farm policy changes spark angry response" *The Globe and Mail*, 5 June 1993, 6.

<sup>15</sup> A version of the Carter analysis was published in *Canadian Journal of Agricultural Economics*. Colin A. Carter, "The Economics of a Single North American Barley Market" *Canadian Journal of Agricultural Economics* 41 (1993): 243-255.

optimistic."<sup>16</sup> More seriously, the study's credibility was attacked for its methodological approach.<sup>17</sup> Carter also made basic mistakes such as claiming "[i]n cases where a government agency is in place (e.g., the CWB or the Japanese Food Agency - JFA), the private trade buys from the exporter (CWB) and sells to the importer (JFA). The two government agencies do not deal directly with one another. Exceptions are sales by the state-level Australian Barley Boards and the CWB to the FSU's *Exportkhleb* and Ceroil Food Inc. in China."<sup>18</sup> Since the CWB had in fact dealt directly with the JFA, Carter's claim only served to add more doubt about his study's conclusions about the benefits of the CBM. It also suggested that "high elevation costs"<sup>19</sup> were the result of "inefficiencies...associated with the monopoly system"<sup>20</sup> even though this was also a problem outside of Canada in grain handling systems where single-desk marketing agencies do not operate. Carter's paper also pointed out that "the CWB (1992) argued that profit opportunities would be lost under a continental market because producers would be unable to observe export prices and could end up selling to the U.S. when third-country exports through the CWB would be more profitable. The above point demonstrates that producers did not receive accurate market signals under the CWB monopoly system."<sup>21</sup> While this observation may have been literally accurate Carter was projecting back the problems of a continental market onto CWB's single-desk to justify his conclusion that a CBM would be better. It also ignored the fact that all grain traders and buyers had a similar standard practice in that it was not in their economic self-interest to allow their competitors to know the prices at which they sold and

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<sup>16</sup> Financial Post, "Storm brews over grain policy," *Financial Post*, 5 June 1993, 3.

<sup>17</sup> "The analysis provided on the implications of a continental barley market by Colin A. Carter . . . is marked by modeling errors as well as by the use of unsubstantiated and unrelated assumptions that invalidate the empirical results." Harvey G Brooks, "First, Let's Assume We Have a Can Opener: An Analysis of the Economics of a Single North American Barley Market," *Canadian Journal of Agricultural Economics* 41 (1993) 271. The full article by Brooks provides greater details of the problems with Carter's methodology.

<sup>18</sup> Carter, 246.

<sup>19</sup> Carter 244.

<sup>20</sup> *Ibid.*,

<sup>21</sup> Carter, 250.

bought grain. In not making their sales information publicly available the CWB was conforming to the standard practice of the international grain market. Farmers were just as unable to truly know the export prices set by private companies and government purchasing or marketing agencies until CWB final payments were issued.

Despite the problems with Carter's paper, anti-Board supporters found that it reinforced their beliefs about the Canadian Wheat Board's inability to get them the best price and that they would be better off selling their own grain in the international market. Colin Carter's work was part of what they relied on to explain why they did not support the Board.<sup>22</sup> Carter's point about the lack of "accurate market signals under the CWB monopoly system"<sup>23</sup> was combined with their idea that competition between farmers provided the best prices and product. The rationale was that if farmers were competing for customers with each other it would encourage them to grow the highest quality product to get the customers which would lead to the farmer with the highest quality grain getting the highest price.<sup>24</sup>

While the anti-Board people had the Carter study, the pro-Board people had a study<sup>25</sup> done by University of Saskatchewan economists Drs. Richard Gray and Alvin Ulrich, and University of California, at Berkeley, economist Dr. Andrew Schmitz which was commissioned by the three prairie pools. Naturally, the anti-Board side viewed this study as inaccurate although they could provide no detailed criticism of it. Gray and his colleagues concluded that "[t]he reduction in the prices received for malting and feed barley will result in reduced barley area and reduced revenues from barley produced in western Canada. The proposed CBM could easily

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<sup>22</sup> Interview with Doug McBain, 2 February, 2010.

<sup>23</sup> Carter, 250.

<sup>24</sup> Interview with Brian Otto 4 September, 2009.; Interview with Carol Husband, 3 September, 2009.

<sup>25</sup> A version was published in *Canadian Journal of Agricultural Economics*. Richard Gray, Alvin Ulrich, and Andrew Schmitz, "A Continental Barley Market: Where are the Gains?" *Canadian Journal of Agricultural Economics* 41 (1993): 257-270.

result in a **loss** [emphasis in original] of at least \$12 million for the combined malting and feed barley markets."<sup>26</sup> This finding was the opposite of Carter's conclusion that "net economic effects on farmers are estimated with [Canadian Regional Agricultural Model] to be increased annual grain revenues of about \$52 million per year (allowing for crop substitution between barley and other crops.)"<sup>27</sup> Ultimately the anti-Board side would not accept the conclusions of Gray et al, while the pro-Board side did not accept Carter's conclusions.

Shortly after Mayer announced his decision the Saskatchewan Wheat Pool, which at the time had "more than 50,000 members"<sup>28</sup> in the province, in conjunction with Alberta Wheat Pool and Manitoba Pool Elevators, "filed a statement of claim in a Regina court and [sought] an injunction to block the"<sup>29</sup> order-in-council. It was, according to their lawyer John Beke, "a last recourse."<sup>30</sup> The Saskatchewan Court of Queen's Bench decided "the impugned regulations were validly made. On appeal, the Court of Appeal for Saskatchewan found the Saskatchewan Court of Queen's Bench did not have jurisdiction to decide this matter."<sup>31</sup> From there, the case went to the Federal Court where on 10 September 1993 Justice Rothstein ruled that the order-in-council which created the CBM was "*ultra vires* and of no force and effect."<sup>32</sup> This ruling ended the Continental Barley Market after just forty days.

When the Continental Barley Market had been officially announced the price of barley began falling quickly just as the price of oats had done when it had been removed from the Board in 1989. The premium that Canadian farmers were accustomed to receiving for their malt barley

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<sup>26</sup> *Ibid.*,

<sup>27</sup> Carter, 254.

<sup>28</sup> The Globe and Mail, "Barley battle looms Saskatchewan farm group says wheat board undermined," *The Globe and Mail*, 3 July 1993, 10.

<sup>29</sup> *Ibid.*,

<sup>30</sup> John Beke quoted in The Globe and Mail, "Barley battle looms Saskatchewan farm group says wheat board undermined," *The Globe and Mail*, 3 July 1993, 10.

<sup>31</sup> Saskatchewan Wheat Pool et al. v. Attorney General of Canada, 1993, 5-6.

<sup>32</sup> *Ibid.*, 23.

also vanished with the implementation of the CBM and was not recovered until after the end of the CBM. During the time the CBM was in effect "over half the demand in the U.S. market had been met. U.S. feed barley prices did not recover until months later."<sup>33</sup> The sharp decline in barley prices and the loss of the malt barley premium combined with their recovery after the end of the CBM was taken by pro-Board supporters as an excellent example of why the CWB provided farmers with better value than an open market possibly could. Anti-Board groups were furious that the open market in barley had ended. "It's not an example . . . there was hardly time to do anything before we lost it,"<sup>34</sup> one farmer recalled bitterly. They charged that forty days had not been long enough to use the Continental Barley Market as an example of what would happen to Canadian farmers on the open market. In the end the short-lived CBM cemented the schism within the agricultural community over the question of how best to market farmers' grains.

In 1992, the year before the Continental Barley Market was put into place, John Channon, former head of the Alberta Grain Commission, gave a speech to the Western Barley Growers Association in which he explicitly stated the tropes — the CWB stealing from farmers, farmers having the true history of Canadian agriculture hidden from them, and farmers being prevented from having the marketing freedom they deserved — that would come to make up the great grain robbery rhetoric of the anti-Board side of the farm community. Channon claimed "millions of dollars were lost in what I call the first grain robbery . . . in September 1963 when a Soviet delegation arrived in Ottawa to buy wheat."<sup>35</sup> The story that Channon told was his "own version"<sup>36</sup> and careful examination of it reveals that it was designed to play up the partisan and

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<sup>33</sup> Canadian Wheat Board, *Annual Report 1993-94*, Winnipeg: Canadian Wheat Board, 7.

<sup>34</sup> Interview with Buck Spencer, 6 September, 2009.

<sup>35</sup> John Channon, *Formation of the Canadian Wheat Board*, speech to the Western Barley Growers Association, February 20, 1992, 29.

<sup>36</sup> *Ibid.*,

inaccurate historical revisionism that later pervaded anti-Board groups like the Barley Growers and Wheat Growers.

Channon claimed that it was illegal for the Soviets to deal with the Canadian Wheat Board until the two governments had signed a trade agreement.<sup>37</sup> This claim ignored the fact that any business between the CWB and *Exportkhelb*<sup>38</sup> was done through contracts, a procedure which did not require any trade agreement between the two governments. Furthermore, the CWB had been successfully contracting grain sales with the Soviets since 1956.<sup>39</sup> Channon's description of the Soviets requiring basic pricing procedures to be explained to them is historically inaccurate since by 1963 grains sales between *Exportkhelb* and the CWB were hardly a new experience for either side. The Soviets would not have required any hand-holding.

When the Soviets finally agreed to a contract, according to Channon, "Bill Mack [referring to CWB Chief Commissioner William "Bill" McNamara] rushed out of the meeting room in the Chateau Laurier holding his head and cursing himself for having been beaten in a trade . . . He had sold the lion's share of the crop at a fixed price when the price was low!"<sup>40</sup> Channon's assessment simply is not supported by any historical records including the Canadian Wheat Board's annual report for that year.<sup>41</sup> The profitability of these sales for farmers was reflected "[i]n Saskatchewan farm implement sales [which] rose by 33 per cent" as well as sales of other farmer inputs.<sup>42</sup> Secondly, by singling out the fixed price, Channon implied that McNamara should have used an alternative method even though the accepted practice for grains

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<sup>37</sup> *Ibid.*,

<sup>38</sup> The Soviet's grain trading agency.

<sup>39</sup> William E. Morriss, *Chosen Instrument II: A History of the Canadian Wheat Board: New Horizons*, (Winnipeg: The Prolific Group, 2000), 40.

<sup>40</sup> Channon, 30.

<sup>41</sup> Canadian Wheat Board, *Annual Report 1962-1963*, Winnipeg: Canadian Wheat Board.

<sup>42</sup> Morriss, *Chosen Instrument II*, 48.



sales was to contract for the sale of an agreed upon volume and grade of grain at a set price which both parties agreed to before signing a contract.

Channon then claimed that when the CWB realized that the sale to the Soviets had been made at too low a price, the Board offered their other buyers "the same opportunity of screwing the Western grain farmers," an action which was "agreed among the Board and the government officials."<sup>43</sup> The idea that Wheat Board officials and the Pearson Liberal government were conspiring to prevent western farmers from realizing the profits they deserved is not supported by any evidence. The implication of a conspiracy against farmers, however, played into the anti-Board narrative of the western farmer being prevented from realizing the full amount of profit their grain should have received because of the meddling of both the CWB and Ottawa. Channon's story, although rife with inaccurate historical revisionism, supported the claims the anti-Board side had been making about the CWB preventing them from making the best profits possible. Having a historical example to support their claims provided greater validity to their present-day claims. Channon reinforced the message of his story by saying "we wuz robbed!"<sup>44</sup> By using that line to close his story in conjunction with his opening characterization of the events as "the first grain robbery"<sup>45</sup> Channon purposefully crafted a narrative that explicitly played up the idea of the Canadian Wheat Board as an organization which steals the rightful profits of farmers. This narrative contained the most pervasive and simplest trope of the great grain robbery catch-phrase.

To add extra credibility to his tale, Channon portrayed himself as an insider with the implication that he was close enough to know the "true story" of what happened between the Soviets and the Canadian Wheat Board instead of the one farmers would have received through

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<sup>43</sup> Channon, 30.

<sup>44</sup> *Ibid.*,

<sup>45</sup> *Ibid.*, 29.

the media. By describing himself as "on the fringe of events there and then and from that vantage point [he] could watch the game in relaxed fascination"<sup>46</sup> Channon implied his status as neutral third-party observer. He was careful to set himself apart from the government officials and the Wheat Board so that he did not become party to the robbery he was recounting. While he may have been in Ottawa, like the agents for several major grain companies were once it was realized that the Soviets were buying grain instead of selling,<sup>47</sup> it is highly unlikely that Channon would have had any special knowledge of the negotiations with the Soviets since he was not a staff member of the Canadian Wheat Board or *Exportkhelb*. Since grain prices are heavily influenced by information about the situations of the buyers and sellers, it would have been routine practice for negotiations between Leonid Matveev, the director of *Exportkhelb*, and McNamara and other Wheat Board staff to be kept completely confidential. Channon's admitted that "I was never in the room, although never far away"<sup>48</sup> which means he was not in a position to have any insider knowledge. By using the phrasing he did, Channon implied that he was in a position to reveal the secret historical truths about the events.

Channon's speech was delivered to the annual convention of the Western Barley Growers, an anti-Board group whose members would have been highly receptive to the ideas contained within Channon's speech. His statements not only validated the Barley Growers' stance on the CWB, but also provided historical precedent to support the validity of their stance. It is interesting to note that Channon closed his story by saying "It is a moot point as to whether or not an open market in Canada [i.e. a market without the single-desk CWB] would have resulted in a much higher price in 1963. Personally I believe that it would, mostly because there are no

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<sup>46</sup> *Ibid.*,

<sup>47</sup> Dan Morgan, *Merchants of Grain*, (New York: The Viking Press, 1979), 109-111; Morriss, *Chosen Instrument II*, 46.

<sup>48</sup> Channon, 29.

secrets among the Winnipeg grain fraternity." <sup>49</sup> The implication that there was perfect transparency between grain traders is illogical since the traders make their profits by having better knowledge of the market and future conditions, such as expected harvest size and condition, than their competitors. As the 1972 grain sales to the Soviets demonstrated secrecy is one of the most important and routine practices in the grain trade. It is not reasonable to imply that grain traders in Winnipeg do not use the same standards when they must work in the same international grain market as other traders. In contrasting the openness of the grain traders with the secrecy of the Wheat Board, Channon gave a highly unrealistic description of the grain trade. It was a description, however, which his audience would have supported. As a perceived insider Channon's comments validated the audience's own ideas about the grain trade. Ultimately, Channon's speech traded accuracy for ideology.

Between 1994 and the 1998 publication of Don Baron's book *Canada's Great Grain Robbery* the polarization of the western Canadian agricultural between pro- and anti-Board factions intensified. During this time the Canadian Wheat Board, partly as a result of Canada's agreement to NAFTA, was investigated on three separate occasions<sup>50</sup> on the suspicion that it was selling Canadian grain below market price and thereby giving Canadian farmers an unfair trade advantage over their American counterparts. None of these investigations concluded that the CWB was underselling,<sup>51</sup> a fact which pro-Board supporters would use to support their position while anti-Board supporters either ignored the conclusions of the various investigations or charged that they had not been using the right method for investigating the CWB.

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<sup>49</sup> *Ibid.*, 30.

<sup>50</sup> The three occasions were in July 1994 by the US International Trade Commission, in October 1995 by the Joint Commission on Grains, and in June 1996 by the US Government Accountability Office.

<sup>51</sup> See Canadian Wheat Board, "A History of U.S. Trade Challenges" for a full listing and break down of the challenges up to 2004. [http://www.cwb.ca/public/en/hot/trade/popups/trade\\_history.jsp](http://www.cwb.ca/public/en/hot/trade/popups/trade_history.jsp) [accessed October 16, 2010].

Another common argument made by the anti-Board side was that farming had changed significantly since the 1930s when farmers had campaigned for the Wheat Board to be enacted so even if the CWB may have been useful in the past, it no longer served a useful function for farmers who were working in the current grain marketing environment. With the advent of telephones and faxes farmers had, they argued, the ability to access up-to-date market information and to conduct one on one business transactions with potential buyers unlike farmers in previous decades. Once internet access became common the anti-Board found this argument even more compelling since information could be found faster than with previous methods. The anti-Board side viewed the ability to utilize technology along with increasing farm size<sup>52</sup> as indicators that farmers were treating their farming operations as a business. To the anti-Board side the farmer-business owner knew their crops better than anyone else, including the CWB, ever could so they were the best person to market their own crops and to move quickly to take advantage of or develop new markets when they had the opportunity. The CWB and the requirements of the Producer Direct Sales Program (PDS) made it so that they could not achieve their full potential as farmer-business owners. Some anti-Board people therefore began to grow off-Board crops which could be sold into high value niche markets.<sup>53</sup> When the returns for the niche markets were compared to the returns for CWB grains, the niche market returns tended to be equal to or higher than the CWB grains which some anti-Board people saw as a sign that the CWB was not doing a good job marketing farmers' grain. This view, however, did not take into account the fact that the market for a niche crop like borage or canary seed was different in many ways, including the number of sellers and end use of the product, than the market that the CWB was selling into for barley and wheat. Regardless, the anti-Board side used the way niche crop

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<sup>52</sup> Average farm size on a per acre basis had been slowly increasing since the mid-1980s. Statistics Canada, *Historical Overview of Canadian Agriculture*, (Ottawa: Statistics Canada, 1997).

<sup>53</sup> Interview with Carol Husband, 3 September, 2009.

marketing worked as an example of what would happen if farmers could market their barley and wheat without the Canadian Wheat Board.

Pro-Board farmers argued that it was unrealistic to think that farmers could compete with multinational companies just because farmers could use technology since that technology was also used by the companies. They pointed out that the companies had multiple staff members whose full time jobs focused on selling and trading grain, whereas, a farmer would find it difficult, if not impossible, to do the same level of work as an individual. The companies had more money and therefore more time and resources to devote to their grain trading than any individual farmer. The CWB helped to lessen the imbalance of power between farmers and companies in the international grain market. Pro-Board farmers viewed the CWB as a way to have “a level playing field.”<sup>54</sup> Anti-Board farmers saw the idea of the CWB as being an equalizer for farmers as negative since they believed it did not encourage farmers to work their hardest and give them incentives to produce the best possible crop. It was, therefore, critical to anti-Board farmers that they received freedom from the Wheat Board. From their perspective better prices and stronger competition would result with the removal of the CWB but having these points happen were secondary concerns for them since their primary goal was to get “marketing freedom” by removing the Wheat Board.<sup>55</sup>

On 14 February 1995 Conservative Ron Hierath, MLA for Taber-Warner, introduced the following motion in the Alberta legislature:

Be it resolved that the Legislative Assembly request the government to request the federal government to amend the Canadian Wheat Board Act so that producers of wheat and barley will have the option to market their grain on the North American continent either through the Canadian Wheat Board or by private export and that

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<sup>54</sup> Interview with farmer, 15 October, 2009 (anonymous 4).

<sup>55</sup> Interview with Brian Otto 4 September, 2009.; Interview with Carol Husband, 3 September, 2009.; Interview with Buck Spencer, 6 September, 2009.

this option be extended by November 1, 1995. If the aforementioned time line is not met, the government of Alberta is urged to conduct a provincewide [sic] plebiscite for the producers of wheat and barley.<sup>56</sup>

The motion was a way for the Alberta government to continue its opposition to the CWB and to, theoretically, have Alberta farmers show that they were supportive of their provincial government's stance. Having Hierath introduce the motion distanced the government from the initiative since Hierath was not a cabinet member which helped to make the provincial government look more impartial. Secondly, Hierath's background as a farmer, including his previous involvement with the Alberta Grain Commission, Western Barley Growers Association, and the Western Canadian Wheat Growers Association, provided a sense of legitimacy to the motion.<sup>57</sup> This motion was successfully passed and the Alberta government held the plebiscite that year through a mail-in ballot. Alberta Barley Commission Chairman Tim Harvie was "elated by the Minister's announcement . . . after having our rights to market our own grain removed from us for over 50 years, we are now going to be given a chance, as Alberta farmers, to vote on this issue."<sup>58</sup> The requirements for eligibility were that the voter be "18 years of age or older, [have] grown barley and/or wheat in one or more of the last three crop years, and [have] a financial interest in the crops."<sup>59</sup> It would become infamous in the farm community for returning more votes than there were farmers eligible to vote.<sup>60</sup>

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<sup>56</sup> *Alberta Hansard*, 14 February 1995, 19-20.

<sup>57</sup> Farm Credit Canada, "Board of Directors: Ron Hierath," [http://www.fcc-fac.ca/en/Aboutus/media/board\\_of\\_directors\\_e.asp](http://www.fcc-fac.ca/en/Aboutus/media/board_of_directors_e.asp) [accessed August 25, 2011].

<sup>58</sup> Alberta Barley Commission, "Barley/Wheat Plebiscite - Get Your Ballot and Vote!," *Barley Country* Fall 1995, 1.

<sup>59</sup> *Ibid.*,

<sup>60</sup> Alberta Pro-Canadian Wheat Board Group, Submission to the Senate Standing Committee on Agriculture and Forestry: Hearings on Bill C-4 - An Act to Amend the Canadian Wheat Board Act March 31, 1998. See also interview with Dale Fankhanel, 26 March 2010.; Interview with Art Macklin, 15 October, 2009.; Interview with George Calvin, 21 July, 2009.

The questions on the plebiscite were "Are you in favor of having the freedom to sell your barley to any buyer, including the Canadian Wheat Board, into domestic and export markets?"<sup>61</sup> and "Are you in favor of having the freedom to sell your wheat to any buyer, including the Canadian Wheat Board, into domestic and export markets?"<sup>62</sup> The questions used the freedom rhetoric that had become increasingly prevalent since the Mulroney government's illegal attempt to establish the Continental Barley Market in 1993. They also incorrectly described the CWB as a buyer of farmers' grain which implied that it functioned exactly like a private company. In fact, the CWB acted as the sales agent for farmers and did not buy then resell their grain as the question and many anti-Board people claimed. The CWB functioned as a marketing agent and seller for western Canadian farmers, a function which put it in a different position than the private traders both in relation to farmers and to the industrial scale buyers in the world market. Additionally, the questions reinforced the idea that a dual market was possible by implying that there would be no changes should the CWB become voluntary.

Since the Alberta government was handling the plebiscite, pro-Board farmers were worried that it would use a leading question.<sup>63</sup> This fear was confirmed as soon as the question was made public. Many farmers pointed out that the questions used leading language to secure a vote in favor of the dual market approach. The Alberta Barley Commission disliked the criticism of the question, complaining that "the Canadian Wheat Board, the Advisory Committee to the Board, the National Farmers Union, and Unifarm concentrated their remarks on unwarranted attacks on the question, the process, and/or the organizations who have tried to represent the

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<sup>61</sup> Reported in Adrian Ewins, "CWB changes expected to stem from marketing vote," *Western Producer* 4 January 1996, 15.

<sup>62</sup> *Ibid.*,

<sup>63</sup> Interview with farmer, 15 October, 2009 (anonymous 4).

views of the majority of Alberta farmers."<sup>64</sup> Heirath later replied to the critics of the wording of the question saying, "I know the other side will say it was slanted, and in some respects it was...But the truth of the matter is it was a direct question and I don't know how else you word it. It was absolutely clear in my mind."<sup>65</sup>

Later that fall, Minister of Agriculture Walter Paszkowski was asked in the legislature if "Alberta government [was] promoting one side or the other."<sup>66</sup> He replied "Absolutely not, Mr. Speaker. I've said time and again that the matter is a grassroots producers' issue and one the grassroots producers should indeed indulge in discussions about."<sup>67</sup> Even though it was publically known to be tied to the Alberta government, the Alberta Barley Commission worked hard to promote the "yes" vote on the plebiscite as did groups like the Western Canadian Wheat Growers, which it would emerge had received funding from the Alberta government.<sup>68</sup> The Alberta Barley Commission worked with three other farm groups<sup>69</sup> to hold a telemarketing campaign about the plebiscite as well as print advertising.<sup>70</sup> The telephone script for the campaign told farmers that "[f]or over 50 years, only farmers on the Prairies have been denied the right to market their own barley or wheat, except for domestic feed."<sup>71</sup>

The ABC was working with the Western Barley Growers Association, Western Canadian Wheat Growers Association, and Alberta Winter Wheat Producers Commission to do the

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<sup>64</sup> Alberta Barley Commission, "Barley and Wheat Plebiscite Facts vs Fiction," *Barley Country*, Winter 1995., 3.

<sup>65</sup> Ron Heirath quoted in Adrian Ewins, "CWB changes expected to stem from marketing vote," *Western Producer*, 4 January 1996, 15.

<sup>66</sup> *Alberta Hansard*, 1 November 1995, 2293.

<sup>67</sup> *Ibid.*,

<sup>68</sup> See Alf Petersen, "Alberta ag policy is top-heavy," *Western Producer*, 13 August 1992. See also full data compilation from the Public Accounts of Alberta between 1975 and 1992 done by Dr. Petersen which resulted in the *Western Producer* article.

<sup>69</sup> It is interesting to note that in a 12 December 1995 Tim Harvie, Chairman of the Alberta Barley Commission, was careful not to name the three other groups the ABC had worked with on the plebiscite issue. Letter from Tim Harvie, Chairman of the Alberta Barley Commission, 12 December 1995.

<sup>70</sup> Alberta Barley Commission, "Barley and Wheat Plebiscite Facts vs Fiction," *Barley Country*, Winter 1995., 3-4.; Letter from Tim Harvie, Chairman of the Alberta Barley Commission, 12 December 1995.

<sup>71</sup> Alberta Barley Commission, "Barley and Wheat Plebiscite Facts vs Fiction," *Barley Country*, Winter 1995., 3.



campaigns for the plebiscite although this information was not officially provided until the Winter 1995 issue of *Barley Country* was mailed to Alberta grain producers after the plebiscite had been held.<sup>72</sup> Pro-Board farmers were so concerned by the Alberta Barley Commission's campaign leading up to the plebiscite that they donated money to a campaign aimed at countering the anti-Board campaigning. In total "about \$10,000 was donated by farmers to fund the pro-Board campaign."<sup>73</sup> The ABC declined to mention how much it had spent on the campaign though given the combination of telemarketing, print advertisement, and other activities,<sup>74</sup> the total cost to ABC was likely more than the amount spent by the pro-Board campaign.<sup>75</sup>

The results of the plebiscite were 66 percent in favour of the question for barley and 62 percent for wheat. A total of 16,023 ballots were cast. It is important to note that because of the way the question was worded the voters who voted in favour were not actually voting to completely get rid of the CWB but rather to have the so-called dual market option with a voluntary CWB as one of the many potential buyers for the farmer's product. Pro-Board groups immediately called into question the results because of the leading question and whether the voters had really understood the full implications and potential problems of the dual-market concept. The integrity of the voters' list was also highly suspect. The CWB Advisory Committee

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<sup>72</sup> *Ibid.*,

<sup>73</sup> Mary MacArthur, "Costs of running plebiscite campaign not totally revealed," *Western Producer*, 11 January 1996.

<sup>74</sup> The ABC also used radio advertisements and information booths at Agri-Trade shows around the province.

<sup>75</sup> According to the Financial Statements the ABC had total expenditures of \$1,507,289 for the financial year from 31 July 1995 to 31 July 1996. It had expenditures of \$1,603,313 for the following year, 31 July 1996 to 31 July 1997. The expenditures on the plebiscite campaign would have fallen in these two financial years.

Alberta Barley Commission, "Alberta Barley Commission Financial Statements July 31, 1996," *Barley Country*, Fall 1996. 8.

Alberta Barley Commission, "Alberta Barley Commission Financial Statements July 31, 1997," *Barley Country*, Fall 1997. 8.

suggested that "conservative estimates put the voters' list at around 50,000 people"<sup>76</sup> while Alberta Agriculture's website claimed only 15,586 farmers.<sup>77</sup> There was also speculation about how the advertising of groups like the ABC had affected the results. The Barley Commission claimed that any criticism directed at it, and by extension the plebiscite, was "for daring to speak out against the tyranny of this system [the CWB]."<sup>78</sup>

A new anti-Board group, the Farmers for Justice (FFJ), was formed in 1995 in reaction to Canada Customs charging farmers who hauled their grain over the Canada-US border without an export permit. The group drew membership from older anti-Board organizations like WCWGA and the WBGA. Rick Strankman, a member of the FFJ, described it as "the Viet Cong of farm organizations."<sup>79</sup> The FFJ promoted the idea that Canadian farmers were a minority oppressed by CWB and coordinated protests against the Canadian Wheat Board. The Farmers For Justice focused their activities mainly on the charges and resulting court cases against farmers who had driven grain across the Canada-US border as a protest against the Canadian Wheat Board. Export permits were issued by the Canadian Wheat Board which FFJ members interpreted to mean that they could not sell their grain by themselves. They also charged that the Wheat Board refused to issue licenses to farmers who spoke out against the single-desk.<sup>80</sup> This claim supported the idea that if FFJ members did not have export permits it was because they knew that they would not get them from the Wheat Board even if they applied since the Wheat Board was punishing them for advocating for the end of the single-desk and the beginning of farmers' freedom.

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<sup>76</sup> CWB Advisory Committee, "News Release - CWB Advisory Committee," 6 December 1995.

<sup>77</sup> Cited in Alberta Pro-Canadian Wheat Board Group, Submission to the Senate Standing Committee on Agriculture and Forestry: Hearings on Bill C-4 - An Act to Amend the Canadian Wheat Board Act March 31, 1998.

<sup>78</sup> Alberta Barley Commission, "Barley and Wheat Plebiscite Facts vs Fiction," *Barley Country*, Winter 1995., 3.

<sup>79</sup> Strankman quoted in Mairi MacLean, "Disgruntled Farmers Plan 'mother of all Convoys': Farmers for Justice Will Lead 500 Grain Trucks to U.S. Buyers," *Calgary Herald*, 15 February 1997.

<sup>80</sup> Interview with Carol Husband, 3 September, 2009.

In the spring of 1996 the FFJ staged a second border-running in Alberta with a smaller group of farmers. This time, in addition to being charged with exporting without a license, the farmers were also charged with a failure to comply with the Customs Act because they illegally removed their vehicles after the vehicles had been seized and impounded by Canada Customs.<sup>81</sup> Although the WBGAA did not officially condone the border running or breaking laws, Buck Spencer, president of the Western Barley Growers Association, said publicly that "If I can't stop them, I'm going to help them get in the least trouble as possible."<sup>82</sup> The FFJ members were extremely frustrated by the single-desk and what they perceived as the unwillingness of the Wheat Board and then federal Liberal Minister of Agriculture Ralph Goodale to make any changes to the status quo. They wanted to "do something that would get attention"<sup>83</sup> so that Canadians outside the farm community would become aware of their concerns. Spencer warned that "he [would hold] federal minister of agriculture Ralph Goodale responsible if anything [went] wrong."<sup>84</sup> Ron Duffy, one of the farmers who was charged with breaking the Customs Act during a border crossing in April 22, 1996, characterized his actions and those of his fellow border-runners as "fighting for our basic rights and freedoms. What the government is doing is unjust, illegal, immoral and unethical."<sup>85</sup>

Andrew McMechan, a Manitoba farmer, became one of the most well-known members of the FFJ because he was convicted, fined, and jailed from July to December 1996 for failing to

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<sup>81</sup> The resulting court cases and subsequent appeals would drag on into the 2000s. See for example: Boyd A. Charles et al. v. Attorney General of Canada 2005.; R. v Duffy, 2001.; R. v Charles, 1999.

<sup>82</sup> Buck Spencer quoted in Mary MacArthur, "Spencer urges border runners to on right side of the law," *Western Producer*, 18 April 1996, 3.

<sup>83</sup> Interview with Carol Husband, 3 September, 2009.

<sup>84</sup> Mary MacArthur, "Spencer urges border runners to on right side of the law," *Western Producer*, 18 April 1996, 3. It's interesting to note that in the same article Spencer declined to provide any details about an upcoming border-running event because "Montana farmers don't want Canadian grain plugging their elevators and [might] try and stop such an event. 'Montana is such a hotbed.' "

<sup>85</sup> Janet Pierce, "Central Alberta farmers join CWB battle," *Central Alberta Advisor*, 11 June 1996, 2.

surrender his vehicle,<sup>86</sup> breaking the Immigration Act, the Customs Act, and the Criminal Code.<sup>87</sup> During his incarceration the FFJ attempted to get "Amnesty International to declare him a political prisoner."<sup>88</sup> Amnesty International never did make any public statements regarding McMechan's case in particular or the FFJ's cause in general. During his trial for charges stemming from the 13 March border-running protest, Judge B.D. Giesbrecht directly addressed the appeal to Amnesty International as well as the idea of McMechan being a freedom fighter against an unjust system:

Mr. McMechan is in jail because he has broken the law. He insists that he will continue to break the law until he gets his way. The Justice department is forced to prosecute. There has been some suggestion that there is precedent for Mr. McMechan's behavior along the lines of civil disobedience initiated by the likes of Mahatma Ghandi, Martin Luther King or Nelson Mandela. There has even been an appeal to Amnesty International. But that is patent nonsense. Ghandi, King and Mandela were fighting against unjust oppression and racism. Andy McMechan is not in this category. To liken a grain marketing arrangement put in place at the request of a majority of farmers to a system of apartheid or government sanctioned segregation is an insult to the Mandelas of this world and trivialized the nobility of their struggles.<sup>89</sup>

This judgement did not dissuade anti-Board supporters who continued to hold McMechan up as a victim of the Wheat Board.<sup>90</sup>

At the same time the border-running was taking place the Western Grain Marketing Panel (WGMP) was holding hearings on the prairies. The panel had been stuck by Federal Minister of

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<sup>86</sup> It is interesting to note that most articles refer to his vehicle as a tractor giving the impression it is the piece of farm equipment and not a tractor trailer truck.

<sup>87</sup> McMechan was found guilty of breaking section 94.1(f) of the Immigration Act, sections 11, 31, and 153(c) of the Customs Act, and section 145.3 of the Criminal Code three times. R. v. McMechan, March 16, 1998, 1-2.

<sup>88</sup> Blake Nicholson, "Rebel Canadian Farmers claim a victory, promise lawsuits," *Bismarck Tribune*, 3 September 2005.

<sup>89</sup> R. v. McMechan, October 9, 1996, 6.

<sup>90</sup> *Western Producer*, 1997

Agriculture Ralph Goodale<sup>91</sup> on July 17, 1995 and was to report its findings by June 1996.<sup>92</sup> The Western Grain Marketing Panel was mandated to:

enhance the level of accurate information and common understanding about all aspects of the marketing of western Canadian grains, oilseeds and specialty crops. and further to provide a vehicle for fact-based, prairie-wide discussions and analyses of marketing issues, including the nature and requirements of existing and potential markets, the commodities and products that are sold or could be sold into such markets, the marketing systems that are now available or could be available to exploit such markets to the maximum possible benefits for western producers.<sup>93</sup>

As part of its response to fulfilling its mandate the Panel heard directly from farmers at public meetings held across the three prairie provinces as well as reviewing written submissions. The anti-Board side was suspicious of the WGMP because it had been called by a Liberal Agriculture Minister who, they felt, had not taken the Alberta wheat and barley marketing plebiscite seriously while the pro-Board side worried about the panel's reliability because members like Jack Gorr were known for being anti-Board. Many pro-Board farmers felt the FFJ and their border-running was designed to influence the findings of the panel.

The story of the individual farmers courageously taking on the giant Canadian Wheat Board in order to get the freedom to market their own grain while going so far as to risk jail time was heavily reported in the farm press. It was also well reported in more mainstream newspapers like the *Calgary Herald*, *Edmonton Journal*, and *Saskatoon Star-Phoenix*. The up

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<sup>91</sup> The anti-Board farmers were so incensed by the Agriculture Minister calling a panel to investigate options instead of simply removing the Wheat Board immediately that they took to personally attacking him. A letter to the *Producer* from Kerry Greenstein of Rhein, Sask, called him "Adolf Goodale" a sentiment which was representative of the feelings of many anti-Board farmers. It also complemented the rhetoric characterizing the Wheat Board as dictatorial and Communist. For example, John Husband, of Wawota Sask, wrote "After all, in Canada, it is only wheat! This same philosophy in countries such as Russia, China, and Germany is responsible for millions upon millions of lives sacrificed, starved and slaughtered into submission, in pursuit of 'the common good.'" Kerry Greenstein, "Dual marketing," *Western Producer*, 20 June 1996, 8.

John Husband, "Own grain," *Western Producer*, 16 May 1996, 8.

<sup>92</sup> The members of the WGMP were W. Thomas Molloy, Q.C., Jack Gorr, Wally Madill, John Neufeld, Bill Duke, Jim Leibried, Own McAuley, John Pearson, and Avery Sahl.

<sup>93</sup> Western Grain Marketing Panel, *Grain Marketing: The Western Grain Marketing Panel Report July 1, 1996*, 1.

swell of coverage led one letter-writer to the *Producer* to note that "[t]he last time the anti-CWB forces got this much attention was just before they were badly beaten in the 1994 CWB advisory committee elections! One certainly would not have predicted such an outcome if they had used the amount of media coverage as their outcome indicator."<sup>94</sup> It was also suspected that the border-running was being done to push the federal government to act quickly to make changes to the Canadian Wheat Board that the anti-Board FFJ and similar groups wanted to see. Minister Goodale warned that "[r]unning the border will not stampede me or the government of Canada into making foolish decision."<sup>95</sup>

Many farmers were worried that the WGMP was merely for show so that the government could appear to be listening to their concerns while remaining with the status quo after the WGMP had reported its findings. Even so, many farmers attended the public meetings and gave presentations to the Western Grain Marketing Panel. In one memorable instance, Alberta farmer and anti-Wheat Board activist Tom Jackson announced at the end of his presentation that he would be going on a hunger strike. Jackson felt that doing so was the only way to get across how truly frustrated he had become with the current single-desk system and to get the Minister of Agriculture to pay attention.<sup>96</sup> Jackson told the panel, "[w]e farmers are slaves of the Canadian Wheat Board and I take it [the issue] that seriously."<sup>97</sup>

The main purpose of Jackson's hunger strike was to bring attention to the way the export license Producer Direct Sales Program was handled since he felt that farmers should not have to pay for the license.<sup>98</sup> The buy-back system<sup>99</sup> was where a farmer could bypass the Wheat Board's

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<sup>94</sup> Wendy Manson, letter to the editor, *Western Producer* April 4 1996 pg 10

<sup>95</sup> Ralph Goodale quoted in Barry Wilson, "Goodale won't be rushed into hasty CWB decision," *Western Producer*, 18 April 1996, 3.

<sup>96</sup> Interview with Tom Jackson, 30 January, 2010.

<sup>97</sup> Tom Jackson quoted in Mary MacArthur, "Farmer protests wheat board policy with hunger strike," *Western Producer* 4 April 1996, 5.

<sup>98</sup> Mary MacArthur, "Farmer protests wheat board policy with hunger strike," *Western Producer* 4 April 1996, 5.

pools to sell their grain directly to a buyer. The buy-back was essentially a paper transaction where farmers would buy their grain out of the pool (the buy-back from the CWB) and then sell their grain to the buyer. It was primarily used for farmers who wanted to sell directly into the American market. Therefore, the price for the buy-back was set daily at the price the CWB was getting for grain that day. Due to the initial, interim, and final payment system the Board used for pooled grain, the daily buy-back price was usually higher than the initial payment price. Anti-Board farmers did not understand that the initial payment price was not the full price they would get for their grain in the pool and instead viewed the initial payment as the only payment and felt they were missing the higher American prices.<sup>100</sup> For pooled grain, however, the initial price was supplemented by interim and final payments for the year so that the total price the Canadian farmers got was usually equal to or better than the American prices since the Board was selling into the international market which included America. Farmers believed that they should not have to pay the cost of the buy-back since it prevented them from selling their own grain even though they would, in theory, receive greater than the buy-back price and so have a net cost of zero for the buy-back.<sup>101</sup> The problem with the buy-back was that it was unusual for a farmer to find a sale which was greater than the price the Board was already getting. Once the cost of transporting the grain to the buyer was factored into the costs of doing a buy-back, it made it even more difficult to break even on a sale. While there was nothing legally stopping a farmer from doing a Producer Direct Sale on which they would lose money, the majority of farmers preferred not to and instead put their grain in the Board's pools. It should also be noted that from

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<sup>99</sup> Buy-back is the colloquial term. Officially it is called the Producer Direct Sales Program.

<sup>100</sup> For example see multiple letter to the *Western Producer*; Interview with Carol Husband, 3 September, 2009.; Interview with Buck Spencer, 6 September, 2009.

<sup>101</sup> Mary MacArthur, "Farmer protests wheat board policy with hunger strike," *Western Producer*, 4 April 1996, 5.

the time of the Producer Direct Sale, the PDS farmer also received any interim and final CWB payments.

During his hunger strike, Tom Jackson drove to the Coutts border crossing, then went to Ralph Goodale's Regina constituency office to protest outside, before finally parking his grain truck in the loading dock of the Wheat Board building in Winnipeg.<sup>102</sup> He wanted to make sure the Wheat Board would notice him and going to their building seemed like the best way.<sup>103</sup> The hunger strike ended after thirty-four days since Jackson felt that he had made his point even though no changes had been made to the buy-back.<sup>104</sup>

When the Western Grain Marketing Panel finally released its report neither side was pleased. For the anti-Board side, the report's recommendations did not go far enough in recommending the complete removal of the single-desk. Anti-Board campaigners vowed that the border-running would continue as would the protests over the Wheat Board. As one farmer put it, "I guess [Agriculture Minister Ralph] Goodale's going to have to get some kind of concentration camp to keep us in lock-up. He'll have all of us by spring."<sup>105</sup> At the same time, the pro-Board side was just as unhappy with the WGMP's report and its recommendations. For the pro-Board side the WGMP's most alarming recommendation was that "[f]eed barley should be placed under an open market system, not precluding the CWB"<sup>106</sup> because it seemed like it was the set-up to the first step in completely removing the single-desk.

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<sup>102</sup> Roberta Rampton, "Hunger striker plans to camp out at Canadian Wheat Board office," *Western Producer*, 2 May 1996, 3.

<sup>103</sup> Interview with Tom Jackson, 30 January, 2010.

<sup>104</sup> Adrian Ewins, "CWB protester ends hunger strike but says action wasn't a failure," *Western Producer*, 9 May 1996, 17.

<sup>105</sup> Bill Blake quoted in Dene Moore, "Wheat Board Status Quo Decision Slammed: But Farmers Group Draws Fire for Tactics used in Fight for Right to Market Own Grain," *Calgary Herald*, 8 September 1996.

<sup>106</sup> Western Grain Marketing Panel, *Grain Marketing: The Western Grain Marketing Panel Report July 1, 1996*, 100.



As a follow-up to the Western Grain Marketing Panel report, Goodale announced that a plebiscite would be conducted among prairie grain farmers. The question for the plebiscite would ask farmers if they wanted to keep the current system or completely remove barley marketing from the Canadian Wheat Board's single-desk. Since this plebiscite asked an essentially yes-or-no question instead of the dual market idea raised in the question asked by the Alberta plebiscite, the results would provide a more definitive idea of what farmers wanted to happen with the CWB. The all-or-nothing nature of the question did not please some anti-Board farmers because it cut out the dual-market option which they often touted as the compromise position between the single-desk and the private market even though the nature of the single-desk made a dual market option unfeasible. Secondly, it was the dual market option that helped to push the vote in favour of the anti-Board faction for the Alberta plebiscite.<sup>107</sup> Glenn Sawyer of Acme, Alta wrote, "If Ralph Goodale and his department genuinely wish to determine the will of farmers on this issue, they must include a dual marketing choice for barley on the ballot."<sup>108</sup> The Alberta Barley Commission dismissed it as "another Goodale charade"<sup>109</sup> since by not including the dual market option the plebiscite "crafted a vote that appeal[ed] to few farmers and ignored the majority."<sup>110</sup> The ABC advised Alberta barley farmers to spoil their ballot by either marking both options or adding a "voluntary option" to mark; not returning their ballot; or sending the ballot provided in the ABC's *Barley Country* paper which had a dual market option.<sup>111</sup> The Alberta government continued to support the anti-Board side by "hir[ing] a consulting firm to prepare arguments in

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<sup>107</sup> Polling conducted after the release of WGMP's report showed that the majority of farmers wanted to keep the wheat board but that majority declined when a dual market was an option.

Confidential Source

<sup>108</sup> Glenn Sawyer, "Need choices," *Western Producer*, 30 January 1997, 12.

<sup>109</sup> Alberta Barley Commission, "Barley Plebiscite Ignored Voluntary Option," *Barley Country* Winter 1996, 7.

<sup>110</sup> Clifton Foster, General Manger of the Alberta Barley Commission, quoted in, "Barley Plebiscite Ignored Voluntary Option," *Barley Country* Winter 1996.

<sup>111</sup> Alberta Barley Commission, "Barley Plebiscite Ignores Voluntary Option," *Barley Country* Winter 1996, 7.

favor of dual marketing."<sup>112</sup> Premier Ralph Klein expected that his government "would be quite prominent"<sup>113</sup> in the campaign around the federal plebiscite.

The already highly polarized debate around the Wheat Board became even more divided during the federal barley plebiscite campaign. The Farmers for Justice began to organize another border-running protest which was to be the "the mother of all convoys."<sup>114</sup> Organizers were planning to sign up between 500 and 600 people to participate in the convey<sup>115</sup> which was named the Andy 500 in honour of Andy McMechan.<sup>116</sup> According to Jim Pallister, who was a director of the Western Canadian Wheat Growers Association as well as a member of the FFJ, it was hoped the protest would be a "Berlin Wall-type of situation -- that many people were willing to defy that tyranny, and it was over."<sup>117</sup> Even though public meetings were being held to plan the Andy 500 and the meetings' organizers insisted they were not intended to influence the federal plebiscite. They made it clear, however, they were not planning to do the protest until after the federal plebiscite and that the results from it would not influence what would happen to their planned border-running protest.<sup>118</sup>

Enthusiasm for the Andy 500 began to dampen when Dan Creighton and Gerald Blerot, both members of the Farmers for Justice who had been acting on behalf of Manitoba farmers who had been charged under the Customs Act, were "permanently banned from acting as legal counsel"<sup>119</sup> by the Manitoba Court of Queen's Bench. Part of the evidence brought forward was that Creighton had been told by a Judge that "if he proceeded with the argument he was making,

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<sup>112</sup> Ian Gray, "Klein plans big for agriculture," *Western Producer*, 2 January 1997, 4.

<sup>113</sup> Ralph Klein quoted in Ian Gray, "Klein plans big for agriculture," *Western Producer*, 2 January 1997, 4.

<sup>114</sup> Mairi MacLean, "Disgruntled Farmers Plan 'mother of all Convoys': Farmers for Justice Will Lead 500 Grain Trucks to U.S. Buyers," *Calgary Herald*, 15 February 1997.

<sup>115</sup> *Ibid.*,

<sup>116</sup> *Lethbridge Herald*, 16 June 1997, 14.

<sup>117</sup> MacLean.

<sup>118</sup> Ed White, "Anti wheat board border runners see themselves as freedom fighters," *Western Producer*, 15 February 1997, 4.

<sup>119</sup> Tracy Tjaden, "Activists banned from acting as legal counsel," *Western Producer*, 23 January 1997, 12.

the judge would increase the amount of restitution the client would have to pay. [Creighton] persisted, and the client had to pay an additional \$2,000."<sup>120</sup> Even though the Farmers for Justice stuck by Creighton's suggestion that the order was actually "an attempt to take away the rights of accused people"<sup>121</sup> the idea that there would be serious consequences to border-running was slowly beginning to permeate in the farm community. Farmers were becoming less enthused with the idea of getting stuck with expensive fines and a permanent record. It was becoming clear that the court system would only hear about the Wheat Board in terms of export permits and related issues that were directly pertinent to the border-running charges. The courts would not allow the border-running charges to be used as a venue to discuss the ideological legitimacy of the CWB's single-desk and the courts would not rule on the legality of the CWB and the single-desk.<sup>122</sup> By June the Andy 500 had been decreased to only "one or two trucks run the border but with as many as 1,000 people watching."<sup>123</sup> By the end of the summer it had been cancelled partly as a result of seven Saskatchewan farmers being found guilty of breaking various parts of the Customs Act from their border-running protest.<sup>124</sup>

At the same time the initial organization of the Andy 500 was taking place, columnist John Schmidt, known for his warnings of Communism in the 1970s, published a column attacking the Wheat Board for having a department which monitored weather and crop conditions partly by using satellites. Schmidt called it a "surveillance department"<sup>125</sup> and wondered if perhaps the collected data through permit book applications was being crosschecked

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<sup>120</sup> *Ibid.*,

<sup>121</sup> *Ibid.*,

<sup>122</sup> Interview with Dale Fankhanel, 26 March 2010.; Interview with farmer, 15 October, 2009 (anonymous 4).; Interview with Buck Spencer, 6 September, 2009.

<sup>123</sup> "Farm groups downgrade plans for CWB protest," *Lethbridge Herald*, 16 June 1997, 14.

<sup>124</sup> Karen Briere, "Border protest cancelled in wake of farmers' guilty plea," *Western Producer*, 17 July 1997.

<sup>125</sup> John Schmidt, "Canadian Wheat Board has 'Eyes' in the Sky," *Brooks Bulletin*, 29 January 1997, 5.

with satellite surveillance so it could be used to catch income tax cheats.<sup>126</sup> "Yep, some of those fast-moving "stars" in the skies at night are not Santa Claus and his reindeer but man-made satellites watching you!" he told readers.<sup>127</sup> Schmidt's column did make some people worried that the Wheat Board was watching them because of their support and involvement with anti-Board groups like the FFJ and WCWG. The idea of Wheat Board surveillance on farmers seemed plausible to them given their already negative opinion of the Wheat Board.<sup>128</sup> Pro-Board farmers at first "didn't believe they [the claimants] were serious"<sup>129</sup> when they heard claims of the Wheat Board's surveillance satellites, but soon found that they had to explain weather and remote sensing satellites and how permit book applications worked when debating the Wheat Board issue.<sup>130</sup>

The Canadian Wheat Board released the report *The CWB and Barley Marketing* by Drs. Andrew Schmitz, Richard Gray, Troy Schmitz, and Gary Storey in January 1997. The anti-Board side viewed this study as the Wheat Board attempting to sway the vote while the pro-Board side welcomed the report as more material to support their position for the continuation of the Wheat Board. The report found that between 1985 and 1995 "the CWB earned an additional average return of \$72 million annually over the multiple-seller scenario."<sup>131</sup> The Alberta Barley Commission immediately called the report's validity into question because it used confidential data which the Wheat Board would not release publicly. There was a long-standing contention among anti-Board farmers that the Wheat Board kept secret accounts which were used to hide

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<sup>126</sup> *Ibid.*,

<sup>127</sup> *Ibid.*,

<sup>128</sup> Interview with Buck Spencer, 6 September, 2009.; Interview with Carol Husband, 3 September, 2009.

<sup>129</sup> Interview with farmer, 15 October, 2009 (anonymous 4).

<sup>130</sup> Interview with farmer, 15 October, 2009 (anonymous 4).; Interview with Art Macklin, 15 October, 2009.; Interview with Roy Atkinson, 10 September, 2009.

<sup>131</sup> A. Schmitz, R. Gray, T. Schmitz, and G. Storey, *The CWB and Barley Marketing: Price Pooling and Single-Desk Selling*, (Winnipeg: Canadian Wheat Board, 1997), 56.

how it was stealing money that rightfully belonged to farmers.<sup>132</sup> The ABC used this belief to support its claim that because the data was confidential the Wheat Board was hiding something and the authors of the report were wrong.<sup>133</sup> The ABC also provided graphs comparing the CWB price with the price at Great Falls, Montana to show that the CWB did not achieve better prices. The graphs, however, used an American spot price compared to the CWB pooled price, which led to the same problems with accuracy that early comparisons using the same method also had.<sup>134</sup> As with the 1993 studies, *The CWB and Barley Marketing* became the subject of constant disagreement between the pro- and anti-Board sides of the debate.

J. O. Wright, a supporter of the Wheat Board, wrote in a letter to the *Producer*, "It seems to me that only an overwhelming vote in favor of keeping export barley with the Board will silence those bent on weakening and destroying this sales agency."<sup>135</sup> When the results of the plebiscite were counted 62.9% had voted to keep the Wheat Board. The vote did not satisfy the anti-Board side which vowed that it would continue working to completely remove the CWB. Pro-Board farmers were still determined to counter the efforts of the anti-Board side.

It was into this highly polarized environment that *Canada's Great Grain Robbery* was published in 1998. Written in an engagingly breezy informal style it appeared to those unfamiliar with the overall body of literature to be the first book to provide an apparently complete history of western prairie grain farming. Unlike other books about prairie grain farming, like CF Wilson's *A Century of Canadian Grain*, Baron's book was not dauntingly long. The front cover proclaimed that Baron was a "prairie historian"<sup>136</sup> which immediately lent the book an air of

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<sup>132</sup> Interview with Carol Husband, 3 September, 2009.; Interview with Jim Chatenay, 7 September, 2009.

<sup>133</sup> Alberta Barley Commission, "CWB Releases Another Self-Serving Report on its Performance," *Barley Country* Spring 1997, 1.

<sup>134</sup> *Ibid.*, 2-3.

<sup>135</sup> J. O. Wright, "Barley Vote," *Western Producer*, 2 January 1997, 9.

<sup>136</sup> Baron, front cover.

credibility. Additionally, both the pro- and anti-Board sides of the farm community used historical facts to support their positions.<sup>137</sup> The prairie farm community had a long tradition of respect for knowledge and scholarship, a position which Baron as a “historian” exploited.

Baron’s book posited that the prairie farmers had been led astray from early 1900s by the social gospel movement and left-wing philosophies. Harkening back to the Communist-baiting<sup>138</sup> that had long been a staple of the Alberta political scene, Baron’s book implied that the social gospellers had been twisted into communists and this perversion is what had led them to begin agitating for the organization of cooperatives. The farm community of the early 1900s, according to Baron, had been misled by overly zealous preachers like Salem Bland, all of whom "were oblivious to one vital truth - competition and the free market are the very basis for wealth production and personal freedom."<sup>139</sup> The Wheat Board, which came out of social gospel ideals, was simply the most obvious example of how the farmers had lost the "free market" and with it their freedom. Baron chronicled the way social gospel ideals and communist sympathies in the farm movement brought about the Wheat Board even though there had always been a few people who tried to show that doing so would not benefit farmers. For anti-Board readers, Baron's ideas fit into their own mythology of the Wheat Board stealing their grain and preventing them from selling directly to buyers. Their long standing struggle against the Wheat Board was about to turn in favour of the anti-Board side because, according to Baron, the truth about the social gospel was finally exposed and "the growers' demands for freedom can no longer be denied."<sup>140</sup>

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<sup>137</sup> For example, the anti-Board side would claim the CWB was created due to the War Measures Act and therefore it was forced on farmers against their will. The pro-Board side would use Territorial Grain Growers Association and the many cooperative movements and the formation of the Pools to show how long farmers had worked toward the single-desk.

<sup>138</sup> For example, the National Farmers Union is characterized as "Maoist in [its] attempts to liberate the wheat growers from agri-business." Baron, 136.

<sup>139</sup> Baron, 16.

<sup>140</sup> *Ibid.*, 9.

Baron portrayed the formation of the cooperatives and the Wheat Board as a secret history that had been hidden by the cooperative movement and the communist social gospellers. The true exploitation of prairie farmers was being done not by the traders and grain handlers, as the conventional narrative would have had the farmers believe, but by the Wheat Board and the prairie pools. It was these institutions, Baron charged, that were behind the real robbery of the prairie because they were preventing farmers from taking their true place in the grain trade. Leaving the marketing to the Wheat Board was a recipe for disaster since no farmer could ever trust the Board to truly get the best prices, let alone pass the full value back to farmers. Baron conveniently forgot to address the fact that the Wheat Board had always put out an independently audited statement.

For Baron, the Great Grain Robbery was the fact that the Canadian Wheat Board existed. Farmers had been denied the true value of their crop since they had been forced to use the Wheat Board through legislation. The second part of the robbery was that the farm organizations and the Wheat Pools were involved in left-wing politics<sup>141</sup> instead of focusing solely on selling grain.<sup>142</sup> Baron argued that any political action to support the current Canadian grain system only perpetuated the original failure of the social gospel by continuing to keep freedom away from farmers. Baron provided a brief overview of the history of the grain industry in Western Canada using it to show how the ideals of the "free market" had been corrupted and ignored. The history also provided multiple examples of Canadian farmers losing money because of incompetence by the Wheat Board, government meddling, or a combination of both. The 1972 Soviet-American sales were only one example of how terribly Canadian farmers were losing out because of the

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<sup>141</sup> *Ibid.*, 87.

<sup>142</sup> In his book Baron does not recognize the difference between the Pools, which handled grain, and the CWB which acted as a sales agent on behalf of farmers.

Wheat Board. Baron asserted that the Wheat Board did not realize what was happening in the international market until it was too late to take advantage of it.<sup>143</sup>

Baron's book was highly debated within the farm community. Opinion was divided on it. Anti-Board farmers saw the book as a vindication of everything they had been saying, while pro-Board farmers felt it was misleading at best and grossly inaccurate at worse. For both sides, however, it helped to codify the points that the anti-Board side of the farm community had been making vigorously throughout the 1990s. Officials at the Canadian Wheat Board were also aware of the book although they did not see any value in engaging in the debate about it.<sup>144</sup> For some farmers, *Canada's Great Grain Robbery* was the first book they had read about the history of the Canadian grain trade which made it "a real eye opener."<sup>145</sup> These farmers were presented with what appeared to be a plausible account of the Canadian grain trade. The book dealt with the 1993 Continental Barley Market events in which many farmers had been personally involved. Baron used the Carter-Lyons study heavily to show how the Wheat Board failed farmers and the Continental Barley Market had been wildly successful.<sup>146</sup> The strongest evidence for this success, Baron provided, was that "barley exports surged to over half a million tonnes. Yet the Board had never sold more than 240,821 tonnes of feed barley to the US in a year."<sup>147</sup> This increased barley export tonnage was an apparently impressive statistic. It did not, however, take into account the corresponding price drop created by such a large influx of grain into the limited American market. Framing the Continental barley market as a success because of increased

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<sup>143</sup> Baron, 138-140.

<sup>144</sup> Interview with former CWB staff member, 13 April, 2010 (anonymous source 2).; Interview with former CWB staff member, 28 October, 2009 (anonymous source 3).

<sup>145</sup> Interview with Brian Otto 4 September, 2009.

<sup>146</sup> Baron, 160-163.

<sup>147</sup> *Ibid.*, 163.



export quantity was the same argument that the anti-Board side had been using since the CBM ended in 1993.

The similarity between Baron and the ideas of the anti-Board side helped to give those ideas credibility since, as a "prairie historian," Baron was seen as an authority on the subject. For readers unfamiliar with the history of the Canadian grain trade the similarities between Baron and the anti-Board side made Baron's arguments familiar which in turn made it easier to believe them. Since the primary audience for the book was farmers who were already predisposed to want support for their anti-Board stance, Baron's book was an extremely popular source of validation. By laying the history of the Canadian grain trade out in chronological order Baron provided his readers with the appearance of a long standing process to prevent farmers from gaining true freedom. He also used a large number of quotes from former United Grain Growers Limited (UGG) president Mac Runciman to support his arguments which gave the implication that Runciman was an unbiased authority on the grain trade who was only interested in getting farmers the maximum price possible. *Canada's Great Grain Robbery* contained the major themes of the anti-Board movement but put them within an inaccurate and revisionist historical context. Canadian agricultural historian John Thompson points out that the Wheat Board was not, as Baron suggests, "a communist plot to enslave Prairie grain farmers"<sup>148</sup> but instead actively and wholeheartedly supported by western farmers. He describes Baron's book as an "absurd polemic"<sup>149</sup> and the use of ideas perpetuated by it as a "deliberate falsification of the historical record in the service of an ideological objective."<sup>150</sup>

*Canada's Great Grain Robbery* greatly helped the anti-Board side of the CWB debate by codifying the ideas of the anti-Board side. The book inaccurately resurrected the "great grain

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<sup>148</sup> Allan Dawson, "Ottawa accused of revising wheat board history," *Manitoba Co-Operator* 20 October 2011, 9.

<sup>149</sup> John Herd Thompson, "Who Will Sell Prairie Grain?" *The Beaver* 86, no. 4 (2006): 14.

<sup>150</sup> Dawson, "Ottawa accused of revising wheat board history."

robbery" catch-phrase from the 1970s and repurposed it to now encompass the anti-Board side's major themes and issues. The "great grain robbery" catch-phrase assumed a new prominence and immediacy within the agricultural community while providing an easy way for anti-Board supporters to refer to many of their issues. In addition, the book gave the anti-Board side historical context in support of its arguments. Prior to the book's publication the anti-Board side did not have a unifying historical source unlike the pro-Board side which had a long standing practice of using agricultural history to support its arguments. *Canada's Great Grain Robbery* unified many of the ideas of the anti-Board side into a single effective term.

## Conclusion

In 1972 Soviet traders used the secrecy of the American grain trading corporations to fulfill their need for high volume low cost grains purchases. Their purchasing strategy relied heavily on the fact that the American grain trade had no price or demand discovery mechanisms because in order to function in this competitive environment the grain trading corporations closely guarded all their sales data. Consequently, the American domestic price and international price for grains were held artificially low during the spring and summer of 1972 because markets did not react to the increased Soviet demand since it was kept secret by the companies looking out for their own self-interest and by the American government at the request of the Soviets. American farmers lost revenue because they lost ownership of their grain as soon as it was delivered to the elevators and the majority of American farmers delivered their grains before prices rose in late 1972 to reflect the real demand and supply of tradable grain. Canadian farmers did not suffer the same missed opportunity for profit as their American counterparts because they retained beneficial ownership of their grain through the Canadian Wheat Board's price pooling and orderly marketing system. The CWB's intelligence department was able to anticipate the Soviet demand which allowed the CWB to negotiate and sell over the full year to the Soviets which meant the CWB took advantage of the rising prices to the benefit of Canadian farmers.

The events of the 1972 American great grain robbery were re-interpreted and inverted by a few westerners opposed to the CWB, as evidence of the shortcomings of the Wheat Board and its supporting structures, like the Canadian International Grains Institute and Canadian Grain Commission, in the Canadian cooperative grain handling system. These re-interpretations and

inversions of international events became part of the “received wisdom” of many western Canadian farmers which was circulated during debates about farm politics and during general discussion within the farm community. The use of these inverted and distorted interpretations of foreign events became part of the further polarization of the farm community in the 1990s and the beginning of the second part of the Canadian experience of the great grain robbery. While the historical precedent of the great grain robbery had been referenced from time to time during the various debates it was not until the 1990s that the phrase began to hold significance for the majority of the farm community. The anti-Board side recast the Great Grain Robbery as a catchphrase to encompass everything that they perceived to be wrong with the Canadian agriculture system and especially the Canadian Wheat Board. The complex problems of technological change, like higher yielding seed varieties, increasingly tight economic margins, and rural depopulation with their roots in the structure of capitalist economics, coincidentally began with the 1935 creation of the CWB by R.B. Bennett and continued with the rising freight rates of the 1990s after the removal of the Crow rate. The loss of the Crow Rate combined with the removal of the local branch line elevator system created significant financial stress on farmers since they were now forced to haul their grain long distances to centralized terminals which was both time consuming and very costly compared to the previous branch line elevator system. After the loss of the Crow the total number of people claiming to be primarily farmers decreased by 40%.<sup>1</sup> The increasingly tight margins in farming helped to create a climate where the polarization of the farm community into pro- and anti- Board factions was embraced because it helped to present a serious of complex interconnected issues as a single point: was the Wheat Board good or bad?

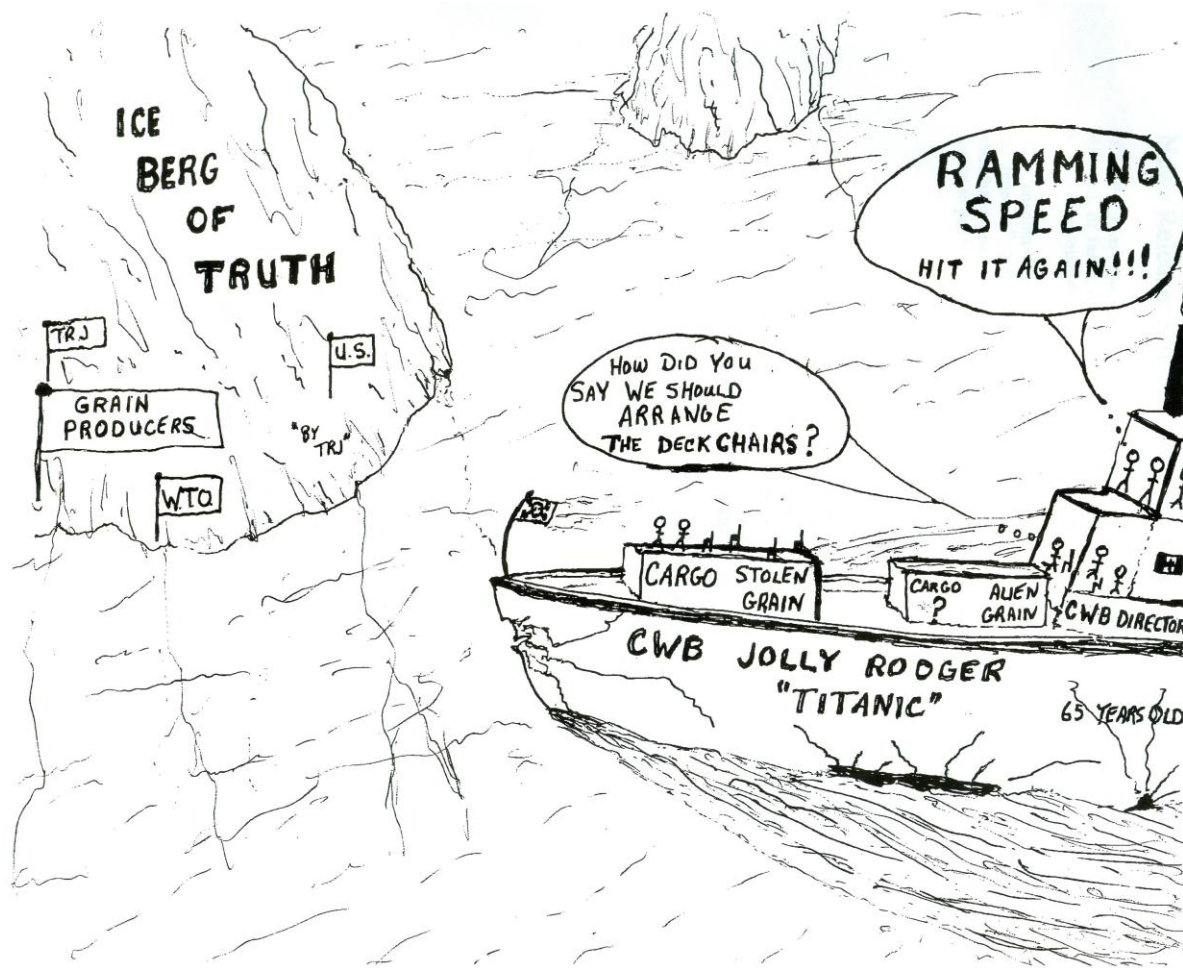
The 1972 American-Soviet grain sales became only one aspect of this polarization. The 1972 sales were rewritten as an example of Canadian farmers being unable to take advantage of

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<sup>1</sup> Statistics Canada

US spot prices because of the CWB. So an institution which had not only successfully sheltered western Canada's farmers from both the consequences of the highly volatile commodity markets in general and the negative effects of the Soviet grain purchases in particular, but actually created greater profits for them, was successfully cast as a causative villain and convenient scapegoat for the structural problems of a grain growing area physically isolated from the global grain market. The opponents played on this simple phrase to create the false impression that the CWB had denied Canadian farmers the benefits of lucrative sales and was preventing them from making higher profits by playing the international market in competition with the major grain trading corporations.

When Don Baron's book *Canada's Great Grain Robbery* came out it reinforced all the issues that were encompassed by the Great Grain Robbery catch-phrase. Baron's book was highly debated within the farm community and opinion was divided on it. Anti-Board farmers saw the book as a vindication of everything they had been saying, while pro-Board farmers felt it was misleading at best and grossly inaccurate at worst. For both sides, however, it helped to codify the points that the anti-Board side of the farm community had been making vigorously throughout the 1990s. The anti-Board side of the farm community viewed their re-interpreted great grain robbery as historical truth which was being hidden from western Canadian farmers whereas the pro-Board group saw it as a piece of historical revisionism which ignored the documented historical facts of the Canadian grain trade.



The ideas contained within the Great Grain Robbery catch-phrase were referenced in a cartoon which was heavily circulated within the farm community during 2000.<sup>2</sup> The hand-drawn cartoon shows a ship heading toward an iceberg labelled "Ice Berg of Truth." On the iceberg are flags labelled "Grain Producers," "W.T.O.," and "U.S.," to show that these individuals and organizations are all part of the "Truth" which will sink the ship called "CWB Jolly Rodger "Titanic"" as it tries to destroy them. The "Grain Producers" flag has a sub-flag for "TRJ" which is how TRJ, the creator of the cartoon, shows that they are a grain producer and part of the "Truth." The "U.S" and "W.T.O." flags make reference to the on-going trade dispute between

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<sup>2</sup> Received via fax

Canada and the United States over the sales practices of the Canadian Wheat Board which the US International Trade Commission (ITC) had investigated several times before the cartoon was created. The World Trade Organization (WTO) is used instead of the ITC because the general idea in the farm community was that the WTO would agree with the anti-Board farmers' assessment of the CWB. On the deck of the CWB ship is a container labelled "stolen grain" which alludes to the catch-phrase of the "great grain robbery" and how anti-Board farmers were in a battle to market their own grain. This idea reoccurs in the name "Jolly Rodger" and the skull and cross bones flag, known as a Jolly Rodger, on the ship's bow which are references to piracy. The cartoonist is reinforcing the idea that the CWB is stealing farmer's grain by equating the Wheat Board with piracy. The dialogue bubble for the figures of the "CWB Directors" on the ship, asks "How did you say we should arrange the deck chairs?" It references the idea circulated by the anti-Board side that the CWB is inefficiently run by people who are completely out of touch with reality.

Ultimately the anti-Board side retired the Great Grain Robbery catch-phrase and it is currently out of use within the farm community. As one farmer said, "we don't use [the great grain robbery] anymore because it's negative and we want to focus on the positives of getting an open market".<sup>3</sup> But the principle idea contained within the catch-phrase, that the CWB and its supporting structures were harming western Canadian farmers and cheating them of money that was rightfully theirs, continued to thrive. The results of CWB director elections<sup>4</sup> between 1998

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<sup>3</sup> Interview with Doug Campbell, 24 February 2010 and 16 March 2010.

<sup>4</sup> The 1998 revisions of the Canadian Wheat Board Act provided for the Canadian Wheat Board to be run by a board of fifteen directors. Five directors were appointed by government and ten were elected by farmers. The farmers-elected directors came from the ten CWB districts. Elections were done by a preferential mail-in ballot. After the first election in 1998, the elections were staggered between the odd and even numbered districts so that ten new farmers were never elected during each election. This method was done to provide continuity on the CWB board.

and 2010<sup>5</sup> indicated that the farm community continues to be divided between pro- and anti-Board factions with the majority still voting to retain what they see as a time-tested and proven system of collective marketing.

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<sup>5</sup> In all the Canadian Wheat Board Directors elections the majority of candidates elected supported the single-desk. In 2010 the most recent election 4 out of the 5 seats were won by pro-Board supporters. CWB District 1 elected an anti-Board candidate by a margin of only 31 votes. 786 votes went to Dan Gauthier, the pro-single-desk candidate, while 817 votes went to anti-single-desk candidate Henry Vos. It should also be noted that Ken Ritter, Bill Woods, and Rod Flaman were all originally elected on anti-single-desk platforms but after being directions changed to supporting the CWB's single-desk. All three were re-elected when they ran on pro-single-desk platforms. Meyers Norris Penny, *2010 Canadian Wheat Board Election of Directors: Detailed Final Results*, Winnipeg: Meyers Norris Penny, 2010.



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