

The Rise and Fall of the Canadian Wheat Board:

A Historical Institutional Analysis

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Major Research Paper

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JULY 23RD, 2012

Abstract

In December 2011, the Prime Minister, Stephen Harper and the Minister of Agriculture and Agri-Food, Gerry Ritz announced the dissolution of the Canadian Wheat Board.

This essay analyses the rise and fall of the Canadian Wheat Board through the lens of historical institutionalism. We establish a comparison across time between the economical, social and political contexts that influenced the birth and the death of the institution.

In the first section of this essay, we define the economical, social and political factors that we will use as a guideline to compare the contexts of the creation and dismantlement of the Canadian Wheat Board. This section is based on the work of Swinnen (2009) on the emergence of the protection of agriculture in the 20th century.

The second section of this essay gives an overview of the Canadian Wheat Board with detailing on its history, its role and guiding principles, and the place it takes in the Canadian and international markets. This section aims to prove that the Canadian Wheat Board was, in fact, created in order to provide protection to the farmers and that Swinnen's analysis is relevant to the Canadian experience.

In the third section of this essay, we use the five factors identified by Swinnen (demonstrated in section one) to compare the Canadian contexts during the rise and the fall of the Canadian Wheat Board. We show that all the factors provided by Swinnen are relevant to the emergence of the Canadian Wheat Board, but none of them apply to the current situation.

In the fourth section, we show that there are other factors that are not identified by Swinnen that have influenced the dismantlement of the Canadian Wheat Board, such as international regulation and regional agreements.

Finally, this essay concludes that the Canadian Wheat Board has become outdated and that its demise was inevitable given the current context.

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The Rise and Fall of the Canadian Wheat Board: An Historical Institutional Analysis

By Stefanie Proulx

Introduction

The Canadian Wheat Board has ruled over the marketing of wheat in the Canadian Prairies since the 1920s. In fact, the institution has power over transport, grading, purchasing, selling and exporting of all wheat for human consumption produced in Alberta, Saskatchewan and Manitoba. The policy was first installed to provide wheat at a stable price and at supply quantities that favoured both consumers and producers. However, last December, the Parliament of Canada voted for its dissolution. Adhesion to the Canadian Wheat Board will no longer be mandatory for producers. The Board will not have a monopoly over the market anymore and will lose most of its marketing power. The decision to abolish the Board was not a choice made following an extraneous shock and has led to much controversy.

This essay will use historical institutionalism to show that the dismantlement of the Canadian Wheat Board was inevitable. To do so, in the first section, we will define the factors that were influential in the emergence and maintenance of protectionism in agricultural market according to Swinnen (2009). In the second section, we will show the

roles and guiding principles of the Canadian Wheat Board. Next, in the third section, we will analyse the conditions that historically led to the creation of the Canadian Wheat Board and show that they are consistent with the factors identified in the first section. We will also compare the political, economic and social context during the emergence and collapse of the institution and demonstrate that the current conditions are inconsistent with the factors identified in the first section, which signifies that the Canadian Wheat Board was doomed to fail. In the fourth section, we will identify other factors that are not shown by Swinnen (2009) that may have influenced the demise of the Canadian Wheat Board.

Historical Institutionalism

Historical institutionalism is an analysis method, used in social sciences, to evaluate the reasons behind the emergence and collapse of an institution. It attempts to explain patterns in the fate of institutions by studying the evolution, the changes and the transformations they undergo. Thelen (1999) argues that institutions are dynamic and can respond to a changing environment. She argues that institutions that are able to adapt to changes in the social, political or economic climate are persistent and remain legitimate.

Historical institutionalism, according to Thelen (1999), is an analysis tool, especially useful in case studies of bureaucratic institutions. In fact, this method proposes that the rise, the maintenance and the fall of institutions are influenced by a multitude of factors and various actors; the influence of the state is recognised and the input of the elite and the masses are also considered. Moreover, the theory addresses the life of the

institution from the perspective that history is not linear, that many factors can have an effect and it is the combination of them that creates change.

Thelen (1999) proves this point by showing that institutions are extremely resilient. In fact, she demonstrates that only one, large exogenous shock, such as a revolution, a war or an economic recession, is, empirically, not often responsible for the death of a long standing institution. This is particularly relevant in the case of the Canadian Wheat Board. Indeed, there was no significant shock or scandal previous to its dissolution. However, the dissolution of the Wheat Board has been considered, in the past, by policy makers but they have never been successful in changing it before. By using a historical institutionalism approach, we can identify factors that have led to the dissolution and understand why it has not happened earlier.

Also, historical institutionalism is useful in analyzing the Canadian Wheat Board. It allows us to consider the institution throughout its lifespan and establish a comparison between the social, economic and political climates when the institution was born and when it died. Botterill (2010) argues that “[e]xamining an institution’s development from cradle to grave may provide further insights into institutional survival through an examination of both what works and what doesn’t”. In fact, Malhoney (2000) argues that the legitimacy of the institution is dependant on the subjective point of view of the decision makers. “The legitimacy underlying any given institution can be cast off and replaced when events bring about its forceful juxtaposition with an alternative, mutually incompatible conceptualization. Depending on the institution in question, the events that trigger such changes in subjective perception and thus declines in legitimacy may be

linked to structural isomorphism with rationalized myths, declines in institutional efficacy or stability, or the introduction of new ideas by political leaders.” This is also noteworthy in the case of the Canadian Wheat Board. In fact, the policymakers were faced with a black or white situation, to maintain protectionism or to enter the free-market. There were no gray areas; the two ideas were mutually exclusive concepts. Historical institutionalism shows why this decision was made rather than maintaining the status quo.

Section One - Historical Factors Influencing the Raise and Fall of Protectionism of the Agricultural Market

1.1 Historical Analysis

The first section of this paper analyses the historical relationship between agricultural trade and protectionist policies. This section is based on the findings of Swinnen in his article “The Growth of Agricultural Protection in Europe in the 19th and 20th Centuries” (2009). The arguments put forward by the author provide a unique view on the issue. In fact, he shows that there are correlations in between certain social, political and economic contexts and the growth of the protection of agriculture. He argues that those factors allows for protectionism and have been, historically, necessary to the survival of the policies.

In his article, Swinnen (2009) argues that agriculture and protectionism have been intertwined ever since the 19th century and that the strength of the relationship has increased gradually, up until recently, and has experienced many fluctuations due to a multitude of political, economic and social factors.

First of all, until the 19th century, agriculture was not protected from international trade because the production level did not allow for significant trade between states. The production from agricultural exploitation was too small to allow surplus to be exported. The meagre supply is consumed domestically. In the 19th century, the agricultural revolution, brought upon by modernization of tools and techniques, allowed for a larger production. According to Swinnen (2009), the states that had access to those changes in technology were able to produce enough agricultural goods for domestic consumption and to export to other states that were not as productive.

Following the agricultural revolution, protectionism of the agricultural market became a subject of interest for the governments of the importing and exporting countries, according to Swinnen (2009). The authors' historical analysis shows that there were three periods when European farmers demanded, and acquired protection from international competition; the end of the 19th century (1880-1895), the late 1920s and the post-war era (1950s). In other periods, such as the two World Wars, governments did get involved in the agricultural market, but to protect the interest of the consumers.

Swinnen (2009) proposes that there are five factors that had a direct impact on the protectionism of the agriculture industry in Europe; the decline of the importance of

expenditure on food, the comparative advantage of agriculture, the heterogeneity of interest amongst farmers, the political organization of farms and the effect of the World Wars.

1.1.1 Importance of expenditure on food

According to Swinnen (2009), the fraction of income spent on food, in particular on staple food, by the average European, has drastically declined over the 20th century. This has reduced the opposition to the protection of the agricultural industry. In fact, in the past, the groups that were the most vocal in their opposition to protectionism were the industrial workers in the most industrialized countries such as the UK, Belgium and the Netherland. In those states, according to Swinnen (2009), the factory workers were the largest group in the society and were using social movements to oppose to protectionist policy that would decrease their purchasing power.

However, as the importance of food in their budget declined, the workers became more and more indifferent to protectionist measures in agriculture (Swinnen, 2009), In fact, as often with protectionist measures, the burden of the policy falls on consumers. However, as they are a large group, each individual pays for only a small fraction of the burden. Consumers, according to Swinnen (2009), do not believe the increase in price caused by the policy is worth the fight.

The consumers' silence regarding the issue and the difficulty of mobilizing civil society allowed the grain producers to gain political power and to influence decision makers in creating policies that would favour them.

1.1.2 Comparative advantage of agriculture

Swinnen (2009) argues that market returns will affect the political influence of farmers and political incentives for the government to create policy. He believes that « this creates political incentives, both on the demand (farmers) side and the supply (politicians) side, to give up government transfers in exchange for political support." (Swinnen, 2009). The author believes the producers and the government enter rounds of negotiations in which the government exchanges protection for political support. Swinnen (2009) also argue that two factors can affect agricultural protection through the balance of power between farmers and the government. The first are short-term changes that affect the income of the farmers, mainly due to changes in the international market. The second is a long-term structural change that affects the economic advantages of the agricultural sector within the states. Swinnen (2009) believes that development leads to a transformation in comparative advantages. If the rest of the economy grows faster than the agricultural sector, it reduces the grain producer's share of the economy. This creates incentives for farmers to require protection from the government. The author illustrates that when relative income of farms is in decline, the producer turns to nonmarket activities, such as lobbying the government for support. He also shows that governments have a tendency to protect industries that have been competitive in the past but are losing their comparative advantage, in order to gain political support. This explains why agricultural protection is countercyclical to market conditions and why protection is higher in states with less comparative advantage.

However, according to Swinnen (2009) the more industrialized the country is, the greater the opposition to protection of agriculture. The author illustrates the relationship between industrialization and protection of the agricultural markets by comparing various European countries with different levels of development. He argues that France and Germany were more sensible to the requests the agricultural sector because farmers represented a greater economic and political power. In the case of the UK, which was more industrialized at the time, the political costs of protecting agriculture were greater (as shown in section 1.1.1).

Moreover, according to Swinnen (2009), the capital owners are also opposed to protectionism in agriculture because it leads to an increase in food prices, which leads to inflation and, eventually, to an increase in wages. As the manufacturing sector in the economy becomes larger, the influence of the capital owners on decision makers becomes larger.

The differences in comparative advantage are shown, according to the author, by the differences in protectionism between the UK and France as well as Germany. In fact, in these three countries, grain farming represented a significant share of the economy and producers were well organized. However, because UK had a strong industrial sector, British grain farmers were unable to obtain protection from international imports.

1.1.3 Heterogeneities among farmers

Swinnen (2009) also argues that a prominent agricultural sector is only part of the factors leading to political influence. He believes that to be successful in gaining protection from the government, farmers have to be a homogeneous and organized group.

In fact, Swinnen (2009) argues that one of the reasons why the UK was unable to create protectionist measures is because many farmers in the UK are livestock farmers who would lose from protectionist measures regarding the import of wheat. In fact, the livestock farmers benefit from the low prices created by the import of grain. It allows them to obtain cheaper feed and reduce the costs of production. Livestock farmers in the UK thus lobbied against tariffs on grain imports.

Moreover, the disparities in the income of the farmers can have a significant impact on the support of protectionist policies. The small, poor farmers in the UK have opposed to tariff on staple food because they believed they would lose more through the increase in price of food than their would gain through the increase in revenues generate through the sale of crops.

1.1.4 Political organization of farms

The political influence of the farmers is also a critical factor in the creation of protectionist policies. In fact, Swinnen (2009) argues that the political system eventually has an impact on the influence of interest groups. He believes that political systems in which the decision makers are easily approachable by the grain farming lobby will be more incline to support their views and create policy in their favour.

The author also argues that changes in the political system and voting rules have an impact on the influence of the farming lobby. In fact, he states that, in societies in which the voting rights were extended to the general population, including small farmers and farm workers, the conservative and religious parties were using the promises of trade tariff in the grain-farming sector to obtain the support of the rural population. However, this political strategy was only used in countries where the labour force remained mostly involved in agriculture.

In society in which the interests of the farming groups are protected by the nobility, who owns the land, the interests of the farmer had better chances to be supported (Swinnen, 2009). In fact, the large farmers, admittedly the owners of large pieces of land, are the group that has the most to win from trade tariffs and domestic increase in prices. The influence brought upon by their social status and the size of their land facilitated communication with the policy makers.

Moreover, the capacity of farmers to organize to lobby efficiently the government is a significant factor in its influence on policy making. Swinnen (2009) argues that it is a complex process given the heterogeneous interests of the farmers. However, he argues that small farmers were able to organize themselves following the agrarian crisis of the 1880s. Their regrouping allowed them to have a larger impact on policy during the Great Depression. Given that there was a focus, by the government, on providing cheap food supply to the population and on boosting the economy, the farmers also benefited from nontariff barriers such as direct payments in the UK (or milling ratios in other European countries).

1.1.5 Importance of wars

The two world wars also had an impact on protectionism of the grain-farming sector. The wars required government intervention to achieve an efficient distribution of resources and to avoid that farmers take advantage of the high demand to the detriment of the population.

In Europe, according to Swinnen (2009), the end Second World War gave to the grain farmers the perfect situation to require more protection from the government. The opposition of the industrial workers was declining because of the diminishing share of food of their consumer's expenditure. Also, the war has allowed the farmers to be more organized and to have a closer bond to the government official who were regulating them.

1.2 Current International Trends

The protection of the grain industry by the Canadian government was at its highest point after the Second World War to the seventies, but the international trend has changed since then. In fact, some states have been slowly loosening regulation and, in some cases, abolishing it while others resisted reform. According to Anderson (2009) "[t]he indications are very mixed as to why some countries appear to have reformed their price-distorting agricultural and trade policies more than others in recent decades, and why some have stubbornly resisted reform. Some reforming countries have acted unilaterally, apparently having become convinced that it is, in their own national interest, to do so." Anderson

(2009) gives China as an example of a state that has dramatically changed its agricultural trade policies.

1.2.1 International financial institutions

Anderson (2009) argues that one of the reasons why states are moving toward a reduction of protectionist policies regarding agriculture is to secure bigger and better loans from international financial institutions that condemn trade barriers. He also mentions that some of the states, have become engaged in relaxing agricultural trade policies and are continuing the process of opening the grain market, such as India and many other African and South American countries.

Anderson (2009) also points out that only two countries, Zimbabwe and, to a lesser extent, Argentina, have increased their protectionism of the agricultural market from international competition in the last decade. He, however, mentions that many states have put up temporary barriers in response to the spike in international food prices of 2008. The reasoning behind the surge of protectionist policy throughout the international market in the instance of an increase in food prices can be explained by applying Swinnen's historical analysis to modern circumstances. In fact, the governments are trying to protect consumers from spending a larger proportion of their income on food expenditure (Anderson, 2009). To do so, they attempt to control prices domestically, in a similar fashion as during the world war. This is particularly significant in states with lower level of development (development has direct causal effect on expenditure on food), because it replicates the stage of development in Europe studied by Swinnen.

1.2.2 International Agreements

Anderson (2009) also argues that a large number of states, including the European Union, have reduced their agricultural subsidies and import barriers to (at least in part) comply to the GATT's multilateral Uruguay Round Agreement on Agriculture. However, he shows that, even though all developed countries have reduced their assistance to farmers, only New Zealand and Australia have utterly abolished their agricultural trade barriers. Anderson believes that international institutions are key to eliminating agricultural trade barriers and argues that "[i]f that trend continues at the pace of the past quarter-century, and if there is no growth of agricultural protection in developing countries, then before the middle of this century most of the disarray in world food markets will have been removed. However, if the WTO's Doha Development Agenda collapses, and governments thereby find it more difficult to ward off agricultural protection lobbies, it is all the more likely that developing countries will follow the same agricultural protection path this century as that which was taken by high-income countries last century."

1.3.3 Regional Trade Agreements

The regional trade agreements are another factor that may influence barriers to the trade of agricultural products. In fact, countries entering regional trade agreement often have to re-adjust their tariffs to reach an agreement and offer similar trade policies.

Also, one member may require the other party to reduce its tariffs, or have to get involved in some time and resource consuming control of the rules of origin. For example, during the negotiations for the North American Free Trade Agreements (NAFTA), the

United States and Canada have come to the conclusion that they had to agree to use the same trade barriers for the same goods originating from a third country. Otherwise, the exporting countries would have taken advantage of the situation, imported goods to the state with the lowest barriers, and subsequently, transport the goods through the barrier-free border. Canadians and Americans attempted to negotiate similar barrier, but were unable to do so. They, thus, decided to create the rules of origins. This entails that goods located in Canada, but originating from elsewhere, would be subject to the same tariffs rates as international goods before crossing the Canada-US border and vice-versa.

The complexity of the process is something that countries are attempting to avoid in their regional trade blocs negotiation process. The European Union was able to remedy to the problem by unifying the trade barriers with the rest of the world. This had the effect of reducing the level of protectionism in the agricultural sector. In fact, there were no more barriers to trade in between the member states, but the European states also entered a round of negotiations in which the states with the highest tariffs had to reduced them in order to please the majority with lower external tariffs.

Moreover, the members of the same regional agreement can pressure the other party to reduce its trade barriers. For example, the lumber subsidy debate between Canada and the United States shows that member states from a regional trade agreement can use economic measures to pressure another state to reduce its barriers. In the case of the lumber dispute, the American believed that Canada was using subsidized lumber to dump on the American market. They, thus, imposed a high tariff on Canadian lumber to pressure the Canadian government (Froese, 2008) and reduce its intervention.

1.3 Conclusion

The factors correlated to the growth of agricultural protection put forward by Swinnen provide us with a factual list of prerequisites that we will use to analyse the relevance of the Canadian Wheat Board in Section three.

However, the pressure of the international financial institutions, the compliance to international and regional agreements and to the rules of international governance entities are factors that Swinnen does not take into consideration. In fact, they are not proper to a historical analysis of the 20th century since they only started to gain influence in domestic policy recently. However, those factors represent a significant paradigm shift in modern governance; they are relevant to the analysis of recent institutional changes and will thus be taken into consideration.

Section Two - Introduction to the Canadian Wheat Board

2.1 Historical overview of the Canadian Wheat Board

Up until the 20th century, wheat marketing was unregulated and directed by private interests. The farmers had to deal with the railway companies for the delivery and with the Winnipeg Grain Exchange for the grading, inspecting and weighting of the grains. Pricing was left to the market. The farmers were exceedingly suspicious of the practices of the

railway companies and the Winnipeg Grain Exchange but had no other choices but to trust them, (Veenam, 1997).

The federal government first got involved in the industry of hard grains in 1912 with the Canada Grain Exchange Act, which created the Canadian Grain Commission. The role of the Commission was to weight and inspect the grain in order to create a federal standard. However, the pricing and the delivery of the product remained private.

During World War I, according to Veenam (1997), the federal government's role in the marketing of wheat increased in order to ensure a stable supply and distribution of wheat domestically and overseas. The government suspended the activities of the Winnipeg Grain Exchange and established the Board of Grain Supervisor which was to oversee the sale and pricing of wheat for export. The farmers were impressed by the efficiency of the Board and lobbied the federal government to keep it after the war. The first Canadian Wheat Board replaced it. The role of the Canadian Wheat Board was to sell wheat for domestic use or exports at prices in accordance with the international prices.

In the 1920s, the Canadian Wheat Board was dismantled, and only the market regulated the wheat industry. However, the farmers remained in favour of central regulations (Veenam, 1997). In 1923, they created Farmer Controlled Wheat Pools in each of the Prairie Provinces. Those wheat pools operated under a two-payment system where the farmer gets half of its revenue as an initial payment and the last half after the grain has been sold. An interprovincial pool, the Central Selling Agency, was also created to coordinate the efforts of provincial associations.

During the Great Depression, the government had to, once again, get involved in the grain market due to the collapse of wheat prices. In fact, in 1929, the price of wheat was so low that the Wheat Pools were not able to make enough money to cover the initial payments made to the farmers. In order to avoid the bankruptcy of the pools, the government had to provide guarantees for loans and the farmer's next harvest. The federal government also appointed a representative to manage the Central Selling Agency. In 1935, the government made its role official and passed the Canadian Wheat Board Act, which consolidated the three provincial pools and the central pool. With the Canadian Wheat Board Act, the federal government became responsible for covering any losses encountered by the Board but did not gain access to the profit generated.

During World War II, the role of the Canadian Wheat Board became more salient. Adhesion to the Board, which was voluntary prior 1943, became mandatory. Other grains markets such as oat and barley were also regulated under the Canadian Wheat Board as of 1949.

In the post-war era, the Canadian Wheat Board gradually gained influence on the market. In 1967, it became a permanent structure. However, in 1974, the interprovincial sale of grain intended for animal feed did not have to go through the board anymore. In 1989, the Board no longer regulated the sale of oat. In 1998, the management structure of the board was revised to provide more power to the farmers. Prior to 1998, federal appointees directed the Board. Until the eminent dissolution, it is managed by a board of directors that includes; ten members appointed by the Prairie farmers and 5 appointed by the federal government. The Canadian Wheat Board, thus, has lost its status of "Crown

Corporation” and became a “Shared-Governance Structure”. The board of directors is accountable to the minister of Finance and Agriculture. Since 2006, the federal government has been planning on removing the control of the barley from the Canadian Wheat Board.

2.2 Institutional overview of the Canadian Wheat Board

2.2.1 Role and Guiding Principles

According to Veenam (1997) the role of the Canadian Wheat Board, since its creation, is to stabilize the market and to protect the farmers from the sharp fluctuations of the international price of wheat. It also attempts to prevent sharp price fluctuation in the prices of the basket of goods of the average Canadian.

The Canadian Wheat Board operates on two different principles. First, it makes the wheat market a single desk selling industry (Veenam, 1997). The Canadian wheat farmers have no choice but to sell their crop to the Board. This approach was created because it was believed that a single organization would have a better chance to negotiate the best price possible for Canadian wheat on the international market. Also, the greater amount of grain available to the Canadian Wheat Board allows it to evaluate the supply of grain for each crop more accurately than individual farmers. The Board, consequently, can engage in future contracts. The Canadian Wheat Board also collects, stores, and transports grains more efficiently for a lower price than single farmers could.

Second, the Canadian Wheat Board is an income stabilising institution and engages in price pooling (Veenan, 1997). The risks associated with the industry of wheat farming are equally divided in between the members. Large groups buffer the burden of risk on the individual farmers and divide it among the group, fractioning the negative impacts.

To do so, every year, the Canadian Wheat Board first set the prices of the grains according to quality and specie. Farmers are guaranteed to receive the set price for their crops. The farmers and the Canadian Wheat Board draw a contract determining how much grain will be sold to the Board. However, the Canadian Wheat Board is not obligated to buy the amount specified if the market conditions deteriorate. Upon the delivery of the grain, the farmer receives the initial payment of a price agreed. The Canadian Wheat Board puts the grain on the market, and revenues of the sale are pooled into one of the four pools (based on the type/ quality of grain). At the end of the crop year, the revenues, minus the marketing, operational and shipping expenses, are divided between the members of the pool, according to the size of the crop provided. If there are grains that have not been sold in the year, the Board saves it for the following year.

Through this process called the “two-payment system” (Veenam, 1997), the Canadian Wheat Board protects the farmer from the price volatility associated with the international wheat market and creates stability in the market. However, it keeps farmer from taking advantage of spikes in prices.

The oversight of the federal government, according to Veenam (1997), over the Canadian Wheat Board also provides increased stability in the revenues of the farmers. In

fact, if the total revenue of the pool minus expenses is less than the sum of the initial payments to farmers, the government steps in to provide the difference. This guarantee is considered a subsidy to farmers and is the source of most of the criticism directed at the Canadian Wheat Board.

The government also allows the Canadian Wheat Board to borrow up to \$6 billion dollars at advantageous interest rates. Also, if a Canadian buyer default on payment to the Board, the government guarantees it will absorb the costs of the default.

2.2.2 Market control

The Canadian Wheat Board is a monopsony protected by federal regulation. It is the only buyer of grain allowed on the market. The single buyer system, where the board is an intermediary in between suppliers and the consumers, allows the marketing board to set the prices. In fact, for a crop year, all the grain will be sold to the Canadian Wheat Board at the same price. The Canadian Wheat Board is, according to Royer (2008), a producer-controlled marketing board with a monopoly over (international and domestic) sales, which signifies that it benefits “from statutory coercive powers delegated by public authorities and [the producer controlled marketing boards] are usually said to aim at improving producers’ bargaining position.”

In the years where the international price of wheat unexpectedly drops, the Canadian Wheat Board does not make enough rent to pay the farmers for the second half of their due. The federal government, according to the Canadian Wheat Board Act, has to step in and compensate farmers for the difference. According to Cartier (1998), the grain is

sold on the Canadian market at international prices while the price received by producers is maintained at a support level. This way, the producers are able to keep on producing grain even if they are not competitive on the international market. It reduces the need for imports. This is considered an agricultural subsidy and a nontariff barrier to international commerce.

Through the Canadian Wheat Board, the federal government is protecting the Canadian industries from international pressures. It gives Canadian farmers an advantage on the international trade market that other grain producers do not have. The Canadian government rationalizes the use of subsidies to the grain industry by claiming it protects the farmers against the volatility of prices in the food market (Veenam, 1977).

Moreover, the pooling nature of the Canadian Wheat Board allows Canadian farmers to reduce transport, weighting and grading, and administrative costs. This also gives them an advantage on the international market, since it reduces the transaction costs. As argued by Royer (2010): "Marketing boards, as institutions, have historically exhibited a wide range of services intended to reduce transaction costs. They disseminated information on markets, employed supervisors that participated to sampling and grading operations in downstream firms, determined quality standards, set trading rules, and provided dispute resolution mechanisms. All these functions were operated within a hybrid institutional setting; all enforced by delegated legal powers to an essentially self-regulated producer controlled institution."

The Canadian Wheat Board is recognised as a legal State Trading Enterprise (STE) by the WTO (earlier on the GATT) because, according to Froese (2010), it serves the WTO's notifications as it "protects the number of purposes – income support, price stabilization, increase in [government] revenue, protection of public health, continuity of domestic food supply."

The WTO recognises STEs as necessary entities but also believe they can also distort the market if they are not totally independent from political decision-making and make choices that advantage the government rather than the market. However, as the STEs do not provide direct subsidies, it is difficult to assess the degree of market distortion.

According to Froese (2010) there are five ways a STE can circumvent WTO regulation; by discriminating among trade partners regarding purchases and sales, selling imported goods at mark-ups that operate like tariffs, using their purchases and sales to subsidize sellers and buyers and discriminating among domestic and imported goods to restrict quantities of imports. Those possible "bends to the rules" make competing states suspicious and often lead to trials. The Canadian Wheat Board was found guilty of the last premise because, prior to 2004, the Canadian Wheat Board was imposing strict transport and weighting regulations to foreign grains. These practices were costly and time consuming for foreign exporters and made it difficult for foreign interests to enter the market. Those rules have since been abolished.

2.3 Bill C-118, The Dissolution of the Canadian Wheat Board¹

In December 2011, the Harper government decided to establish radical changes to the Canadian Wheat Board. The changes will be applied in two steps, the preliminary period and the full implementation. The first period will allow a smooth transition into new legislation and prepare for the implementation of the full policy.

2.3.1 The preliminary period

Starting August 1st, 2012, there will no longer be directors elected by the members. The board will consist of a president and 4 directors appointed by the Governor, on the recommendation of the minister. Also, the Canadian Wheat Board will no longer be a corporation of the state and its directors and employees will no longer be associated with the federal public sector. Moreover, the monopoly of the Canadian Wheat Board is lifted, and the transport of wheat from one province to another will be allowed for any person or legal entity that decides to do so. Also, any person can buy or sell wheat, if the purchase agreement is dated subsequently to the complete implementation of the new regulation.

2.3.2 Full Implementation

The second and last phase of the policy changes represents its full force implementation and is set to begin in 2017. The adhesion to the Canadian Wheat Board

¹ Given that these are brand new developments, no peered reviewed articles have been released in the topic yet. The information provided in this section has been found on : Government of Canada (2012, June 26) Canadian Wheat Board Act, Bill c-118, Retrieved from <http://laws-lois.justice.gc.ca/eng/acts/C-24/index.html>,

will no longer be mandatory. The Board remains a corporation, but its mission will change; it will become a voluntary pooling mechanism.

The Canadian Wheat Board will continue to act as marketing board and will sell grain inter-provinces and internationally. However, it will no longer have to buy the totality of the wheat produced in the Prairies. The two-payments system and the pooling system will remain the same. Like under the previous legislation, the Canadian Wheat Board will transport, grade and weight the grains (although other players will be allowed to do that too). The Board will no longer have unlimited access to its own ports or railway structures. It will have to use mainlines grain companies who own the infrastructure to achieve the transport of its supply. By being unable to provide cheap transportation, the Canadian Wheat Board loses a considerable advantage.

However, the Canadian Wheat Board remains allowed to export grains and will be able to play the role of broker in between Canadian farmers and foreign interest. Strong of its experience and reputation internationally, the Board could become an interesting asset to the Canadian producers interested in entering foreign markets.

The changes approved by the House of Commons is to eliminate the mandatory adhesion to the Canadian Wheat Board for all grain farmers producing wheat for human consumption. This is a substantial change to the mission of the Canadian Wheat Board and a significant loss in market influence. In fact, as soon as the policy will be in place, the Board will no longer hold a monopoly over the sale of wheat. Moreover, farmers will be allowed to sell directly to the consumer, domestically and internationally.

The dissolution of the mandatory adhesion also suggests that the Canadian Wheat Board will not be able to provide the same security to its members. In fact, the Board took its power in pooling the mass quantities of wheat it was handling. Given that many large farmers are expected to quit the Wheat Board and that the government will not longer provide income supplements in less lucrative years (Tremblay 2012), the income safety provided by the Board is diminished.

Tremblay (2012) also argues that the dissolution brings many other negative effects “Farmers may also learn of many advantages that could disappear with [Canadian Wheat Board]'s transition, such as advocacy, quality assurance, weather monitoring and research dollars, but these are sectors that can also see innovation and emerge as more efficient in a collaborative cereal-growing industry.”

2.3 Conclusion

The changes made to the Canadian Wheat Board by the most recent modification to the Canadian Wheat Board Act is a drastic measure that modifies the core of the institution and eventually takes away the power that it was allocated. The Canadian Wheat Board, which was a monopsony, will no longer have control over the market starting August 1st 2012. In the following section, we will compare Swinnen’s (2009) historical analysis shown in Section One to the Canadian experience, previously shown in this section to try and explain why there was such a policy change.

Section Three - Historical Institutional Analysis of the Canadian Wheat Board

Botterill (2010), talking about the Australian Wheat Board, an institution that was highly similar to the Canadian Wheat Board, and using a historical institutionalism approach, argues that the factors that led to the dissolution of the long standing institution are changes in perspectives and in the political climate. By using the values put forward by Swinnen (2009) in his historical analysis of protectionism in agriculture, we can assess that many of those factors have influenced the dismantlement of the Board.

3.1 The importance of Expenditure on Food in Canada

In Canada, according to Carter (1998), the price of grain has not much deviated from the international prices over the long run. In fact, the Board sells the grain at the same price as the international market. (Although, an increase in competition in between the farmers would probably lead to a decrease in prices.) However, even though the prices of wheat, in Canada, are not drastically different from the international price in the long run, the prices are stabilized in the short run and protected from international prices peaks and drops, as a result of the Canadian Wheat Board.

In the past, when the importance of food expenditure was higher, the changes in price could directly affect how much food the Canadian consumer can have on his plate.

However, food expenditure, as a percentage of income, has historically been decreasing (as shown by Agriculture and Agri-food Canada). Because of this decline, the amount of food a Canadian consumer can purchase, within his or her budget, is not as directly related to the price of wheat, as it was in the past. Moreover, even though wheat remains a staple of alimentation for many Canadians, there now are many substitutes available.

Therefore, the government no longer has to protect the interests of the consumers against the wheat market to ensure its well-being. According to Swinnen's (2009) argumentation, this could explain why there was a shift in values and the Canadian government no longer believes it is necessary to stabilize the price of wheat.

3.2. Comparative Advantage of Agriculture in Canada

In the Prairies, when the Wheat Board was first established, during the First World War, the industrial sector was not well developed. This, according to Swinnen (2009), facilitated the creation of barriers to the trade of grains. Indeed, there was less opposition from the industrial workers. This fact gives Canada an occupational advantage in producing grains.

Nevertheless, in the 1920s, Ontario and Quebec were industrializing. The manufacturing sector started to gain shares of the Canadian market. According to the author's thoughts (Swinnen, 2009), this would have pushed the Prairie grain farmers to ask

the government for more protection, given the political interest conflict between Eastern and Western provinces.

Also, Canada maintains a significant comparative advantage in the production of wheat compared to other countries. In fact, the vast territory and the arable lands of the prairies are making Canada relatively abundant in the land factor. However, Canada's remarkably small population makes it relatively poor in the labour factor. According to the Heckscher- Ohlin-Samuelson trade model, this gives Canada a significant comparative advantage in the production of wheat, that is land intensive. And, indeed, in 1998, according to Carter, Canada was responsible for 12% of the world's supply of wheat.

Also, one of the main roles of the Canadian Wheat Board is to artificially maintain the comparative advantage of the Canadian farmers. In fact, as mentioned earlier, if the prices of wheat are too low for Canadian firms to be sustainable, the government will step in and correct the situation. This artificial boost of comparative advantage is also described by Skogstad (2008) when she says " To achieve producer- and consumer- oriented goals, Canadian governments intervened in agricultural markets, empowered producers with collective marketing power, subsidized farm incomes, and often protected their agricultural economies from foreign competition. They also provided farmers with subsidized credit to help them increase their efficiency and productivity through larger and more mechanized farms".

However, today, the Canadian grain farmers have established themselves as an international power in the production of wheat. In fact, the Canadian grain industry has a

significant comparative advantage internationally, even more so when compared to developing countries (DeVos, 1998). The farmers in favour of the dissolution of the Wheat Board believe that they are no longer in need of protection from international competition or spikes in international prices and are economically strong enough to take advantage of the peaks in international prices without having to suffer the downfall of drops in prices.

The Canadian grain industry has access to the best technologies and agricultural techniques and holds undoubtedly, a comparative advantage that makes the protection of the industry outdated. Today, most farms are multi-million dollars operations often involved in many different areas of farming. They have more capital and flexibility and thus are less vulnerable to changes in prices. Also, the technologies regarding farming have changed drastically. Farming equipment has evolved, allowing the farmers to exploit much larger pieces of land faster. The wheat farms are producing a lot more grain at cheaper costs than in the past. Also, with the emergence of bioengineering in the 1980s, scientists were able to create varieties of wheat that are more resistant to frost and drought. The farmers can then better predict the quantity of wheat that will be produced in a year.

The grain farmers were able to grow in productivity enough to be adequately competitive on the international market during the period where the Canadian Wheat Board was protecting them from the downturns in the international market. However, now that the industry is developed, it does not need to be limited by the protectionist measures and it can benefit from the capitalist system (DeVos, 1998). The significant comparative advantage of the Canadian grain industry in the international market shows that it has

reached its maturity, can compete and handle the shocks of the international system and no longer needs the protection of the state.

3.3 Heterogeneities among Farmers in Canada

Ever since the Canadian Prairies have been settled, the grain industry has been one of the main agricultural goods produced in Canada. In fact, as shown by Agriculture and Agri-food Canada (2007) cereal is still the second most important agricultural product grown in Canada.

However, there are many other important agricultural sectors in Canada that benefit from the low prices of wheat, mainly the cattle and dairy sector that are situated mostly in Ontario, Quebec and Alberta. Grain was the leading agricultural sector in Canada, until the red meat market surpassed it in the 1990s (Agriculture and Agri-food Canada, 2007). According to Swinnen's (2009) hypothesis, this could explain the decline of the Canadian Wheat Board. In fact, a high price for grain represents an obstacle to other sectors that use grain as feed (Brooks, 1999). An obvious result of the rivalries in between the different sectors of agriculture in Canada is the changes in the policies of the Canadian Wheat Board regarding grain to be used as feed.

There are other heterogeneities amongst farmers that are relevant to the dissolution of the Canadian Wheat Board. They are related to scope rather than the type of crop. In

fact, small farmers and large farmers have interests and business goal that are different and often conflicting.

The large farmers no longer benefit from the Canadian Wheat Board. In fact, they are financially stable enough to benefit from the peaks in international prices (DeVos, 1998). On the other hand, the small farmers are in a much different situation. Indeed, they do benefit from the protection provided by the government guarantees and the pooling system. Moreover, the scope of their business does not allow them to produce enough to really benefit from exporting their crops. As large farmers represent an elite that holds more economical and political power, the policy changes to the Canadian Wheat Board is in their favour (Froese 2010).

3.4 Political Organization of Farms in Canada

The importance of political organization of farms in Canada is especially clear in the post World War One era. In fact, the creation of the first Canadian Wheat Board was a war effort which allowed the farmers to come together. After the victory, the Board was dismantled, but the grain farmers remain highly organized; they created the three provincial wheat pools and remained in contact through the Central Agency that regulated the three provinces.

The collapse of the pools during the Great Depression was so grave and had an impact on so many farmers that the federal government had to step in and bail out the

pools. This shows, according to Skogstad (2005) that by organizing themselves the farmers gained significant political influence.

Also, Canada never discriminated against those who did not own land, in their voting rights. This according to Swinnen (2009), allowed small farmers and farmer workers to pronounce themselves in favour of protectionist policies. This is shown by the success of farming political parties in Canada, following the free trade inclinations of John A. McDonald. Indeed, at the beginning of the last century, many of the politicians elected had strong ties with the agricultural sector. In fact, Manitoba, Alberta and Ontario all elected premiers from their local Farmer's Union Party (also called Progressive Party), a political party with strong ties to the farming industry and, running on platforms promising greater protectionism to farmers. The Progressive Party also ran in the federal elections and was able to gain several seats in the House of Commons. However, Skogstad (2005) argues that, at the federal level, the political power gained by farmers through the electoral system was minimal.

There have been many failed attempts in the past to make changes to the Canadian Wheat Board and diminish its influence. For example, in 1974, grain intended to be sold as feed was made into a separate category of goods that was not regulated by the Board. Also, oat was promptly removed from the control of the Board, further diminishing its influence on the market.

However, none of those policies had a greater impact than the last modifications approved by the current government, even though the farming industry in Canada remains

heavily organized through farming associations and can levy significant power through lobbying. There is a majority of grain farmers in favour of the dissolution, and certainly pressuring the government to make changes. Nevertheless, there are also some interest groups who are opposed to the changes and are very vocal about it.

The farming industry remains influential (as proven by the recent adoption of the Risk Management Program in Ontario), but the political climate in the Federal government calls for significant changes in protectionist policies. In fact, the Harper government, because it has the majority in the House and has been in power for a large amount of time, has the capabilities to, drastically, modify some policies. Save, the current government has a large enough majority and is cohesive enough to make decisions that will not please all of the parties involved, without having to compromise. Moreover, the current Tory government has had a tendency to move towards policies that favour the free market.

Also, Canada has been, since the 1990s, downsizing its public sector. The trend started with the Liberal's Red Book in an effort to reduce the national debt. The size of governmental departments is being reduced to provide more efficiency at a lower cost. Many crown corporations were privatized in the process. In this particular political environment, the dissolution of the Canadian Wheat Board is unsurprising (Froese, 2008).

Moreover, in Canada, much like in the rest of the developed world, only a small percentage of the population is involved in farming. Anderson (2009) argues that it is less than four percent of the total Canadian population (Anderson, 2009). Swinnen (2009) argues that the proportion of the population involved in farming is particularly crucial to

the subsistence of agricultural trade barriers. In fact, he argues that the farmers hold less political power, given their minority, compared to the workers, involved in other industries. This could also explain the shift in the protection of the industry.

3.5 The Importance of Wars

The world wars also had an impact on the creation of the Canadian Wheat Board. In fact, the First World War represents the time where the Canadian Wheat Board was introduced in Canada. The war efforts helped the farmers to realize that an organizational entity allowed them to be more efficient and more influential.

The Canadian Wheat Board was dismantled in between the two wars but the farmers, enlightened by these events, organized themselves to try and maintain the advantages provided. The Second World War saw the restructuring of the Canadian Wheat Board regulated by the federal government. The mandatory adhesion, which was supposed to be a temporary measure, became permanent after the war. Just as Swinnen (2009) claims, in the post-war era, grain farmers were able to influence policy in their favour. Moreover, the Canadian Wheat Board kept on gaining influence during the post war era, for example, in 1949, other grains such as oat and barley became also regulated by the Board.

However, Canada has not been involved in a war in which the regulation of food supply has been necessary since the Second World War, more than sixty years ago. This

period of relative peace for Canadian citizens has undoubtedly changed the values through which Canadian see the supply management of wheat. In fact, during the wars, the government had to get involved in the supply of wheat to make sure that it was available to the troops but also that it maintained a decent domestic price. The involvement of the government in the issue was seen as a necessity and a security measure.

Today, the consumers are no longer fearful that a situation needing the involvement of the government in the grain industry might occur and no longer demand the involvement of the state.

3.5 Conclusion

The dissolution of the Wheat Board is a change that allows policy to be in-sync with the needs of the industry and better serves it. According to Swinnen's (2009) stream of thought, in this instance, the dissolution was unavoidable.

By using Swinnen's (2009) historical factors to compare the political, economic and social circumstances revolving around the birth and the death of the Canadian Wheat Board, we can see that the institution has been unable to adapt to the changes and had become outdated. However, the pressures of the international system are not addressed by Swinnen, but are nonetheless relevant to the current event, as they further show the reasoning behind the dissolution of the Board. We address this issue in Section four.

Section 4 - Pressures from the International System

In comparing Swinnen's (2009) historical analysis of agricultural protectionism and the Canadian Wheat Board, we see that the issues he raised in his essay are relevant to the birth and death of the Canadian institution. However, if we further analyse the historical institutionalism of the supply marketing of wheat in Canada, it can be argued that Swinnen does not address one of the factors that influenced the fate of the Canadian Wheat Board. Indeed, Swinnen does not take changes in the international system and international pressures into consideration.

Botterill (2010) argues that institutions come to an end because of changes in perspective of the decision makers. In the last 30 years, there have been, in fact, major changes in the way Canada approaches the protectionism of certain industries. Indeed, in the post-depression era of the 1930s, when the Canadian Wheat Board was put in place, there was an international trend for protectionism. Canada, similarly to the United States, believed it was necessary to create regulations in order to protect the food producing industries to avoid famine and protected the masses and the industry. The factors revealed by Swinnen (2009), as shown in the previous section, are relevant to the political, social and economic circumstances.

However, in the last 20 years, thoughts on market protection changed in the capitalist world. In fact, there is a move away from more active Keynesian decision-making to a "laissez-faire" doctrine, and this also became the economic policy of choice in Canada. The international political and financial institutions such as the International

Monetary Fund (IMF) and the World Trade Organization (WTO) (which replaced the GATT) have favoured the free-market and laissez-faire politics for the last 20 years.

4.1 International Agreements

According to Furthan (1998), the agricultural sector was immune from those changes in perspective. In fact, Canada and the United States only became forces in the agricultural market during the Second World War and the following Reconstruction period. Their leaders were scared that, after the aftershocks of the War were passed, Europe, under the free market would regain its comparative advantage and retake its place as the market leader in agriculture (Furthan, 1998). To further their market advantages, they lobbied the GATT and the other international organizations and were eventually successful in creating regulations that would exempt agriculture from the free-trade treaties. The Canadian Wheat Board (as well as other STEs) is a legal and accepted measure according to the rules of the WTO.

Botterill (2010) argues that, in the survival of an institution, there are two key factors of importance, functionality and power. The functionality of an institution is directly related to the results it fosters, and the role it plays in the society. The power argument shows that, in some cases, archaic or outdated institutions remain because the groups supporting it are exceptionally powerful. Botterill (2010) argues that “[t]he functional explanation explains institutional reproduction in terms of the overall functional needs of the system. The power explanation identifies the role of an elite group of actors in supporting the reproduction of the institution, with change potentially occurring as the

result of a change in power dynamics with the increase in strength of previously subordinate groups.”

4.1.1 Functionality

The pressure coming from international institutions and foreign interests have made it terribly inconvenient for the Canadian government to retain the Canadian Wheat Board. (Furtham, 1998). This significantly reduces the functionality of the institution since external pressures have made it unable to run smoothly and it requires significant financial and negotiation efforts from the political leaders to be kept afloat.

Indeed, in 2004, the United States has made costly attempts to sue the Canadian government in International Court for causes regarding the Canadian Wheat Board. The WTO eventually recognized that the grading and weighting methods that the Canadian Wheat Board imposed on foreign grains were trade barriers because they were extremely costly to the exporters. In response to the verdict, Canada had reformed the practices of the Canadian Wheat Board.

4.1.2 Power

The Canadian Wheat Board used to be supported by the larger, most influential farmers. The situation has, however, changed currently. Because of the rules of the WTO, the Canadian Wheat Board is now unable to take measures that would advantage the elite and lost its support. Safe, Oleson (1997) argues that, without the strong support of the producers, the Canadian Wheat Board cannot be sustained facing international pressure from international institutions “Once again, strong producer input through the new Board

of Directors of the [Canadian Wheat Board], as well as other farm organizations, will be important input to ensure farmers voices are heard [at the GATT / WTO]”.

In fact, the farming elite changed perspective on the relevancy of the Canadian Wheat Board since and has decided that the industry would be better off unregulated. Tremblay (2012) argues that Canadian farmers have realized that the American grain farmers, who are not bounded by a single desk system, make significantly more profit. In fact, since 2002, the Wheat Board has been accused of having outdated business practices and was not as efficient as it could have been. The new model will allow farmers to decide if they want to export through the Board.

Also, the dissolution of the Canadian Wheat Board brings many international opportunities to farmers that are currently not available. In fact, under the previous system, the farmers were not allowed to make business transactions directly with customers. Now, producers are able to sell to the highest bidder (Tremblay, 2012).

Moreover, DeVos (1998) argues that Australia, Canada and the United States would strongly benefit from the dissolution of the marketing boards of Australia and Canada. In fact, he believes that the removal of trade restrictions would allow the three states to use their comparative advantage in the production of wheat to their best advantage. He believes that the three countries produce a sizeable enough proportion of the world's total supply of wheat to act as a triopoly cartel and control prices. This would allow farmers to make a substantial producer's surplus. He argued, in 1997, that, in those conditions, it was only a matter of time until the marketing board would be abolished in both countries. He

has been proven right. In this case, the Canadian Wheat Board is no longer functional because it puts the farmers to a disadvantage, rather than protecting their interests. The creation of another international institution, a tripartite cartel would be more beneficial.

4.2 Regional Agreements

As the wheat industry grew stronger in Canada and the United States, the opinions on the legality of the protectionist measures changed. In fact, with the introduction of NAFTA, the Canadian government showed its commitment to free trade. As the Canadian Wheat Board was not considered a tariff, it was accepted by the United States and Mexico in the negotiations. However, in 1993, the United States believed that Canada was using the Canadian Wheat Board to sell grains in the Mexican market that was weeding out the American competition.

As a retaliation measure, the United States decided further subsidized their grain industry. Eventually, after a long legal battle, both countries came to an understanding. Furthan (1998) describes the agreement;

"It held, first, that Canada was subjected to two separate caps: if durum wheat exports were between 300,000 and 450,000 tonnes they would face a tariff of \$23 per tonne, and any amount above 450,000 tonnes would encounter a prohibitive tariff (or cap); Canadian Wheat Board wheat (wheat from the western provinces only) would be capped at 1,050,000 million tonnes. Second, a "Blue Ribbon" Committee comprised

of six to ten private-sector members of the two countries would be established in order to determine the impact of grain marketing institutions and programs in each country on bilateral and third-country trade, with a final report to be delivered by 1 July 1995. And, third, a one-year "peace clause" would prevent the United States from launching any further trade actions, and Canada from challenging any U.S. actions under either the NAFTA or the GATT, until 1 July 1995."

Both countries expressed their contentment with the agreement. However, the Canadian farmers did express some major concerns. They believed, according to Furthan (1998), that the cap would reduce their incentives to produce more, limit their access to the American market and create a precedent.

4.2.1 Functionality

Because of regional trade agreements, the Canadian Wheat Board puts the farmers at a disadvantage regarding the quantity of wheat that can be exported to one of the largest market, the United States. It also allows other states to have an input in Canadian decision-making regarding trade policies through pressure mechanism and retaliation.

The dismantling of the Canadian Wheat Board will lead to the abolition of the trade cap; if the government does not subsidize the Canadian wheat industry, there is no reason why it should be limited by a cap on export. The Canadian farmers thus, have access to the American market without restrictions. This bode well for Canadian farmers since the American agricultural market has shifted and is now mostly dominated by corn. The newly

granted market access will, without a doubt, increase the revenues of the Canadian producers.

4.2.2 Power

The pressure put on the Canadian wheat industry by Americans, to remove any subsidizing mechanism is most likely an important factor in the dissolution of the Wheat Board as it displeases the most influential players.

Other than from its current regional agreement partners, Canada has been feeling pressure from the rest of the world to abolish the Canadian Wheat Board. In fact, in its negotiations with the members of the Trans-Pacific agreement, Canada has been facing a negotiation wall. New Zealand and Japan are both insisting that Canada must remove all agricultural tariffs before it can become a member. The negotiations are mainly centred around the dairy and poultry industries, but the dissolution of the Canadian Wheat Board shows that Canada is serious about removing and restructuring its agricultural policies and moving in the right direction. As the potential beneficiaries of the agreement are numerous and come from a variety of economic sectors, their power in influencing policy is very large.

4.3 Conclusion

In conclusion, the regional and international trade agreements are putting the wheat farmers at a disadvantage. In fact, through pressure mechanisms, other states, mainly the

United States, that do not agree with the existence of the Canadian Wheat Board, are imposing retaliation measures such as import caps and WTO trials to Canadian exports, which is very costly to the Canadian farmers. This led to the realization by the farmers that the Canadian Wheat Board is not functional and that they would be better off without it, as they would have access to a larger market (Froese, 2008). The Canadian Wheat Board thus, lost its powerful support and became outdated.

Conclusion

In conclusion, we can see that from a historical institutionalism perspective, the collapse of the Canadian Wheat Board was inevitable. In fact, we were able to assess that the factors identified by Swinnen, in particular, the importance of expenditure on food, comparative advantages, heterogeneities amongst farmers, the political organization of farms and the importance of wars are no longer significant to the Canadian context. The domestic changes to the social, political and economic situation, and the evolution of the agricultural market are no longer favourable to the marketing board and have rendered the Canadian Wheat Board irrelevant by modernity.

More so, the pressure from the international system, at the regional agreement level and international level are really strong. In fact, external pressures have impacted the change in perspective of the elite. Farmers realized that, without the regulations of the

Canadian Wheat Board and the international restrictions it generated, they would be able to sell more wheat internationally and would, eventually, be able to acquire a larger profit.

However, Canadian Prairies are currently plagued with an important drought that strongly affects the yield of wheat. It will be interesting to see how the grain farmers will react to the lack of supplies and if it will revive their support for the Canadian Wheat Board. As this drought influences the first crop that will not be regulated by the Board, the changes in consumer prices are also something to worry about, as the supply of Canadian wheat will be slim this year.

It is not customary for institutional analysis to conclude by providing recommendations. However, the current political and social context calls for further analysis. In fact, the Harper government is considering eliminating the Supply Management Program. The program is another policy put in place to protect the agricultural industry in Canada from foreign competition. It provides the dairy, egg and poultry farmers with income security. However, the members of the Trans-Pacific Partnership agreement are pressuring Canada to eliminate the policy and the Harper government is strongly considering it. It would be interesting to assess if the Supply Management Program has become outdated, similarly to the Canadian Wheat Board, or if it is still relevant to the Canadian agricultural sector.

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