

The Canadian Wheat Board in 2012: The Beginning of Marketing Freedom

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Section 1 – Introduction

On December 15th 2011 bill C-18 was passed in the Canadian Senate and was given royal assent. The bill entitled “An Act to reorganize the Canadian Wheat Board and to make consequential and related amendments to certain Acts” opened up the western Canadian wheat markets. It removed the requirement that farmers in western Canada sell their wheat to the Canadian Wheat Board (CWB). In its current form the CWB was established in 1935 to generate price stability for grain farmers that had been greatly harmed during the great depression. The CWB is commonly referred to as a monopoly in the press. We should be clear that while it does possess a monopoly on marketing wheat out of its region the more accurate term for its status is monopsony. That is a single buyer with multiple sellers of a good in a single market. Up until August of 2012 the CWB had monopsony power in the western Canadian wheat markets. All producers of wheat were forced to sell their grain to the CWB. There was a torrent of discussion leading up to this decision and then again leading up to the new bill’s implementation date, August 1st 2012. Some discussion was based on economic theory, some on empirical findings and a large amount based on the ideas held by individuals to be “common sense”. Although the change has been implemented I believe it is still important to perform a survey of the current literature on this topic. This knowledge should allow the reader to form their own opinions on this topic and also give an indication of what to expect as a result of this change.

The CWB is considered a State Trading Enterprise (STE) by the World Trade Organization (WTO). The WTO defines STEs as “governmental and non-governmental enterprises, including marketing boards, which deal with goods for export and/or import. Article XVII of the GATT 1994 is the principal provision dealing with state trading enterprises and their operations.” So we see that the CWB does fall clearly into that category. It is one of the largest STEs in the world but is by no means unique. STEs exist in almost every agricultural market around the world and are by no means limited to wheat. (Ackerman 1998) This type of organization also need not be limited to exports. Some countries such as Korea and Japan run import STEs for rice markets in order to exercise more buying power on world markets. This paper focuses solely on the CWB and we explore this topic under the accepted fact that it is a STE by all measures.

This paper is divided into five sections. Section two will deal with research in regards to wheat boards. I look at studies that try to determine if the CWB can exercise market power on export markets or if it shows signs of price discrimination on foreign markets. Section three will look at literature and offer some basic models that will explain what Canadians can expect following the removal of the CWB marketing monopoly. Section four deals with how the CWB, and its support by the Government of Canada, are viewed internationally and by the WTO. The paper concludes with section five.

Section 2 – Does the CWB generate premiums through price discrimination?

In 1999 Andrew Schmitz and Hartley Furtan published a book entitled “The Canadian Wheat Board: Marketing in the new Millennium”. This is a comprehensive review of the literature and concepts surrounding the CWB up until about 1998. Although I will discuss some of the same papers that they review I also intend to focus on material that has been published

since 1999. I also intend to explore concepts that were either very lightly touched on in their book or in some cases that were not mentioned at all. After their extensive research Schmitz and Furtan conclude that the CWB does extract premiums for Canadian farmers and is a strong force in the world wheat market. They do however state that the premiums are not due to market power exclusively but rather to the fact that purchasers are willing to pay for the steady supply and high quality grain the CWB can provide. The conclusion included the sentiment that the continual reviews by domestic and international organizations allowed the CWB to take the criticisms and grow stronger and more efficient. This topic is explored further in section four.

One of the main criticisms of the CWB internationally is that it unfairly exercises market power. Schmitz and Gray (2000) test this theory using an econometric method they develop especially for this topic. They create a synthetic model based on demand elasticities for importers of Canadian wheat products and then use the model to estimate the parameters of the demand functions. The results are then fed into a counterfactual model that supposes that the CWB was replaced with a competitive market that includes many smaller producers and exporters. Data from 1984 through 1995 is used to draw the conclusion that the CWB does in fact generate premiums. These amounted to an average of CDN \$73 million dollars in extra revenue each year. They discovered only one year in which the counterfactual model, that included the smaller exporters, generated higher revenues and it was a mere CDN \$7 million. The interesting thing about this study is that, unlike many studies that are based on aggregate data, this study had access to actual sales contract data from the CWB. The conclusion drawn is that the price wedges generated by the CWB are actually much larger than had been previously estimated. There are other unique features of this model. It includes the effect international sales have on the domestic feed market along with the inclusion of a dual international and domestic

barley market. Previous literature focus primarily on the export market with no regard to the effects it would have on the domestic market. These added features allow this paper to conclude that the CWB is indeed a benefit to its members.

Pricing to market is a concept that was outlined by Krugman (1987). Briefly, it is when a firm is holds their prices stable on the export markets even when their costs or the exchange rates change. Knetter (1989) has done research that examined the issue of German and American exporters pricing their goods to market using factors like exchange rate volatility as indicators. Jin (2008) used the model outlined by Knetter to determine if the price premiums generated by the CWB presented by Schmitz and Gray could be explained through pricing to market made possible by the market power of the CWB. Jin concluded that the CWB did conduct pricing to market but that it could not entirely be explained by market power. There were other factors that allowed pricing to market which involved the preference of foreign countries for higher quality Canadian wheat. This coincides with conclusions in the Schmitz and Furtan book that claimed that not only did the higher quality of the Canadian wheat allow it to capture a premium but also that importers of the wheat placed value on the stability of the supply regulated by the CWB.

There was one earlier example of empirical study on this topic that had access to transactional data directly from the CWB. Furtan et al. (1999) also had this high quality data access. The model developed in their paper accounted for the quality differences in the wheat from the US and Canada. In particular it studies sales involving wheat that all contains the same level of protein which is a distinguishing feature of wheat quality. The model they derive assumes that there are two distinct markets into which the CWB can export; one that is elastic and one that is inelastic. This study also accounted for a major export subsidy program in the US. The export enhancement program (EPP) was designed by the U.S. government to do exactly as

the name suggests. It provided subsidies to exporters that allowed them to price their goods lower in certain markets. It had a list of eligible target export countries to which these subsidies applied. It was implemented in 1985 and there is little doubt that it has an effect on market prices in its target countries. With their transactional data and their unique model Furtan et al. drew similar conclusion in regards to the CWB ability to extract price premiums as Schmitz and Gray. Over the 14 years that they studied they concluded that the CWB was able to extract a premium of CDN \$13.35 per tonne. This means that over the study period that the CWB was able to extract CDN \$260 million dollars a year into the pooled funds of farmers. That is, had the CWB been replaced by multiple sellers this revenue would have been lost or transferred to agents other than the farmers. These results did not include estimates for the durum wheat and barley markets. Only the high protein wheat market was included. Had these markets been included as well the conclusion was that the estimates would be much higher as the results were thought to be very similar in all grain markets of this nature.

The conclusions from this group of studies are clear. The CWB does generate additional revenue for its members. In the literature there is a lack of research that concludes that the CWB generates no benefit to farmers at all.

The most well known counter point to the pro CWB research is Carter (1993). In this paper Carter implies that the CWB practices suboptimal pricing policies. In August of 1993 the CWB lost some of its previously held monopsony power. It still held the power for most grain products coming out of western Canada but its power over the malting barley market was removed. Carter argues that this move was a positive one for farmers and that any losses that might have been incurred due the elimination of the marketing power of the CWB was offset and in fact overtaken by the benefits of joining a single North American malting barley market.

Carter develops a baseline model that examines the returns to the farmers under the current system and runs simulations. He then replaces the CWB in the model with a single North American market on which each farmer would sell individually. The model is then calibrated with data and results are analyzed. This is not a strictly empirical result as the model is highly stylized and the data is used to test its effects. The conclusion he draws is that the CWB offers no benefit to farmers overall and in some cases in fact it caused a lower producer surplus than would have existed under the free market. Part of his conclusion is that a move to a free market style system would have some losers and some gainers but overall the gains would be greater than the losses.

The Carter article appeared in the Canadian Journal of Agricultural Economics. In that same issue a rebuttal paper was published by Brooks (1993). In what can only be described as a scathing review of the Carter paper he concludes that the model used by Carter to draw conclusions was severely flawed. The article was titled “First, let’s assume we have a can opener: An analysis of the economics of a Single North American Barley market”. The article starts with a common economics joke which is briefly explained here. A physicist, an engineer and an economist are on a desert island with nothing to eat but canned goods. The physicist and the engineers can not figure out a way to open the cans and turn to ask the economist for his ideas for a solution. He says “First, let’s assume we have a can opener.” It is meant to point out the reliance many economists place on unrealistic assumptions when building their models. Starting with that title sets the tone for the rest of this commentary paper. Brooks criticises large parts of the Carter paper including many of the assumptions that are required for the model to work and to achieve the results that were observed. Carter’s conclusion is of course that when he changes the model from the baseline to the open market that for producers and consumers, there

are gains to be made. Brooks then points out that if the baseline model was changed to something that resembled the current real world system of the CWB that it would also show gains from the baseline model. He therefore concludes that the baseline model is invalid and any conclusions drawn by Carter are equally invalid.

Released at about the same time as the Carter and Brooks papers the Schmitz et al. (1993) research also used data but no econometric model to examine the effect of free market on the current CWB controlled market. Their conclusion was that if a free, or multi-seller, market was put into place for the malting barley industry that it would result in losses to the members of the CWB of about CDN \$12 million a year. This paper did not rely on a stylized model but simply a standard supply and demand style analysis.

Clark (1995) used the conclusions from the Carter and the conclusions from the Schmitz et al. papers as a basis for econometric tests in his paper. He did not rely on the direct models and data that the two previous papers did but instead used his own more advanced econometric model to test the two possible conclusions. The main idea is that when there is a change in the CWB policy that there should be a structural break in the pricing structure of barley. He tests this using data from 1994 when there was a change in CWB policy in feed barley. The result is that when with the change in policy there was no break in the pricing structure of feed barley. The conclusion is therefore that the results presented in the Carter paper through different techniques are more likely to be correct than those presented in the Schmitz et al. paper. Clark performs a large number of strong econometric verifications to make sure his results are robust. If his model is considered sound then he also concludes that the CWB offers no advantage to the farmers that are forced to sell to it.

Section 3 – What to Expect After August 2012

In the lead up to the recent changes to the CWB much of the discussion was focused on the differences between the monopsony that the CWB enjoyed and the free market that was going to be in place afterward. In my research I found a curious lack of specific theoretical literature on the changes that might occur after the market was open in regards to anything but price premiums. Considering that this took up a large part of the informal discussion it was difficult to understand the lack of formal conversation about the topics. In this section I will explore the possible outcomes that results from the loss of the previous CWB monopsony.

Shipping costs are a significant part of the price for Canadian grains. All grains must be shipped using railways and in Canada there are only two providers of that service, Canadian National Rail (CNR) and Canadian Pacific Rail (CPR). These two companies are legislated by the government to limit their revenue when dealing with the grain industry (CTA 2012). That is to say they are given revenue limits per economic period and are not allowed to surpass it. This allows them to set prices as they like as long as they do not surpass this government imposed limit on total revenues. Both companies currently use quantity discount pricing models (CNR 2012). With the removal of the CWB monopsony we now examine if this is still the appropriate regulation method for this industry.

This idea had already been discussed in 2001 with the release Canada Transportation Act Review. That document suggested the possibility of changing the way the rail system was regulated. Rather than a revenue cap it suggested some type of access pricing but no details were given. In response to the ambiguous suggestion from the review Carlson and Nolan (2005) suggested that rather than a revenue cap, a system very similar to efficient pricing component

rule (ECPR) be used to regulate this oligopoly. The idea is that both CNR and CPR would be required to sell access to their rail network to smaller entrant firms at a set price. That price would need to be set such that the entrants could be profitable. This is a type of regulation normally implemented for the telecoms industry and it allows for the entry of new firms into a market as long as they are more efficient than the incumbent industries. At the same time it compensates the incumbents for the opportunity cost based losses they incur by having to sell access to their infrastructure to the entrants. Although, as mentioned, this is normally used for telecoms this type of system is already in place for the railway industry in the U.S. which is regulated by the Surface Transportation Board. Carlson and Nolan conclude that given the current market for the long haul of grain in Canada that this type of regulation would reduce the rent that is currently enjoyed by the rail companies in Canada. These results are obtained in the current form of the market and the rents that are currently enjoyed by the rail companies would likely be even larger when they can deal with smaller producers.

We must however explore the fact that, since Canadian regulators have not implemented this type of ECPR type pricing system, that there are further consequences to removing the monopsony power of the CWB. With the current practice of second degree price discrimination the CWB enjoys discounts because it is able purchase a large quantity of shipping services from the rail companies. In Figure 1 we see that the CWB purchases quantities Q_{CWB} that enable it to drive prices down to the minimum level $P1$ where rail companies are still profitable. When the CWB loses its monopsony power then we will see the contracts being negotiated between the rail companies and much smaller individual producers. We break these into two categories, small and large. Their respective quantities are shown on the graph as Q_S and Q_L with price of $P3$ and $P2$. In the graph I am using the example of block pricing because of the multicar discount

system that is in place between the rail companies and the CWB. Up until 2005 the rail companies offered blocks of as small as 25 cars (CWB 2010) but after that point the smallest possible block was increased to 50. Even larger discounts are given for blocks of 100 or more rail cars. It is easy to see that this gives advantage to large multinational grain companies that are likely to move in now that these major changes have been implemented. Schmitz and Furtan state.

“Should the CWB disappear, the prairie grain industry would undoubtedly be taken over and dominated by multinational grain companies loyal only to profits, not necessarily to Canada or to Canadian farmers.”

The large grain companies can keep their shipping costs low with large railcar orders while smaller companies will be forced to find savings elsewhere. The only way for the smaller producers to save on shipping costs would be to stick with the new voluntary CWB board to purchase larger lots of train cars or face the reality that they will end up paying more for every tonne that they want to ship.



Figure 1

Before the liberalization of the wheat markets supporters of this change, including the government, have declared that with this new, more open, market farmers all over the region will benefit. The idea of a monopsony originally outlined by Robinson (1934) was that a single buyer existed in a market that was looking to maximize its profits and the surplus of the customer it was serving with its output product. The CWB did possess the single buyer status as mandated by the government but its goals were slightly different. There was no goal to maximize its customer's surplus. Its stated and maintained goal was to maximize the surplus of the farmers it was purchasing from. This is a significant difference because with the loss of the CWB's exclusive buying rights it is likely that it will be replaced with a group of large multinational corporations as mentioned earlier. Under the old system the farmers in the CWB region were selling to a monopsony with a goal of maximizing returns for the farmers. Under the new system they will be selling to what is referred to as an oligopsony, a small number of buyers and a large number of sellers. Each of the buyers in this oligopsony will have the same motivation and that is to maximize their individual profits, and return none of it to farmers. This is far from the free market that is portrayed by the government. During the discussions leading up to the change there were a number of references made in common discussion regarding this phenomenon but I could find no reference to the term oligopsony when referring to the market that would result from these changes. Rogers and Sexton (1994) explored this idea of an oligopsony in agriculture markets a number of years before this decision was made. As they point out, the idea of oligopsony is not even mentioned in the *Handbook of Industrial Organization* which is a standard academic guide to this type of issue. So it is not a big surprise that this idea was not discussed during the debates about the changes to the CWB. The model

Rogers and Sexton develop is fairly simple and is based on the fact that once buyer concentration rises then the ability of those buyers to force pricing that is advantageous to themselves is increased. There is a lack of hard data for them to test the model so instead they run simulations. The results are based on the assumptions that you have buyer concentration, there is some sort of oligopolistic behavior from those firms and that there is a large transport cost for the product in question. So although their study does not focus directly on the wheat market the conditions it sets out are very similar to the situation the members of the CWB currently find themselves in. Rogers and Sexton examine a situation where there are many buyers to begin with and then over time the number of buyers begins to slowly diminish. This of course leads to the result that will likely come about now in the western grain markets. You have a slow move to a high concentration of buyers, an oligopsony. Their conclusion:

“Absent public intervention to promote competition in raw product markets, farmers' main opportunities to foster competitive behavior in their selling markets are through developing means of countervailing power. Given the size disparities between farmers and their buyers, countervailing power must often be attained jointly through bargaining associations or marketing cooperatives.”

So it is interesting to read this in the context of the CWB and the situation it now finds itself in. Rogers and Sexton's solution to prevent any harm to the farmers when the concentration of buyers becomes too high is to form marketing cooperatives and bargaining associations. In the case of the CWB the concentration of buyers will increase and the power of the marketing cooperatives will be diminished and in fact removed by government. Given that Rogers and Sexton published this result many years before the current changes I find it very strange that no mention was made of it. The idea is actually even older than that because Innes

and Sexton(1991) had originally proposed it when it came to customers dealing with both Monopoly sellers and monopsony buyers. Innes and Sexton had some to a very similar conclusion. The similarities led Rogers and Sexton to declare in reference to voluntary marketing cooperatives:

“The potency of even this tool may be diminished, however, by powerful buyers who, as Innes and Sexton have shown, maybe able to "divide-and-conquer" farmers through discriminatory practices.”

There are two more issues that I will discuss briefly here and both involve the move from the single desk negotiation of contracts to individual farmers. First, we can look at Wong and Wright (2011) who discuss the emergence of chains of middle men when we are dealing with multiple sellers and multiple buyers. In their model there are chains of agents and they must search until they find a person willing to purchase their good. That person can then move on to resell it but must themselves search for a buyer or consume the good. With single desk seller this effect is drastically reduced because there is no need to incur the search costs for each individual farmer. All the search costs involved in looking for an appropriate contract are absorbed by a single agent, the CWB. We can expect that search costs will certainly rise as we move to a series of smaller agents. Wong and Wright also show how this type of search theory can lead to bubbles but I suspect we need not worry as much about that in the wheat market as they claim that this is a result of infinite chains of middlemen which could occur in financial markets but is unlikely to occur in the grain market.

The last issue we much explore is the fact that the increase in the number of smaller agents looking to sell their grain will also lead to an increase in the number of contracts that must

be signed between farmers and buyers as well as between farmers and rail companies. There is of course a cost associated with each of these contracts but as pointed out in by Agra (2011):

“The transportation system would shift to a strictly commercial arrangement between grain handlers and railways. While not a departure from the current system for non-board crops, the increased volumes shipped under contractual agreements may require an enhanced dispute settlement mechanism.”

Not only we will see an increase in the number of contracts which increases overall costs, there will be a larger number of disputes which will require an increase in the management of those disputes. These extra costs are added to all parties involved: buyers, sellers, rail companies and the government. I was not able to find any research that specifically addressed the increase in costs associated with this type of change regarding contracts and so this would be an ideal place for further research.

Section 4 – The View of the CWB Internationally

In this final section I explore the disputed legality of the CWB under Canada’s international trade agreements. This is by far the largest body of work criticising the CWB and the role the Canadian government plays in supporting it. All of the main features that are seen as positive aspects in the domestic and political policy discussions about the CWB are seen as negative by countries and corporations that must compete with Canadian wheat exports on the world market.

In 2002 the U.S. requested a consultation with Canada through the World Trade Organization to discuss the actions, organization and government support of the CWB. In their request The U.S. claimed that:

“...the actions of the Government of Canada and the Canadian Wheat Board (entity enjoying exclusive rights to purchase and sell Western Canadian wheat for human consumption) related to export of wheat appear to be inconsistent with paragraphs 1(a) and 1(b) of Article XVII of GATT 1994.” (WTO 2004)

The General Agreement on Tariffs and Trade (GATT) was the multilateral trade agreement that was in place before the organization and implementation of the WTO. The framework of GATT remains in place under the newer WTO and it is here that the U.S. found what it believes to be violations in Canadian trading practices. It believed that because the wheat board was based on revenue maximization for the farmers that it amounted to an unfair trading practice. Within two weeks of this request the list of countries involved in the dispute grew to include Japan, European Communities, Australia and Mexico. Three months later the Dispute Settlement Board (DSB) at the WTO deferred the decision to a panel which was formed March 31st, 2003. The conclusions of the panel were delivered a year later in April of 2004. The panel concluded that:

“The United States had failed to establish its claim that Canada had breached its obligations under Article XVII:1 of the GATT 1994 with respect to the Canadian Wheat Board (CWB);”

This was the primary outcome of the dispute and it caused the U.S. to file an appeal later that year. The appellate court upheld the findings and in September of 2004 the decision was accepted by the DSB.

While this trade dispute was being decided there were economists also working on the issue. Goodloe (2004) took a different approach to the advantages generated by the CWB. Her

claim is that the CWB is supported by the Government of Canada and therefore gains unfair advantages on export market. She states that the power of the CWB does not come from the single board selling power but instead,

“The government guarantees of all CWB borrowing and export credit sales allow the CWB to generate a financial cushion – non–market based revenue – which can be used to pay operating expenses, enhance returns to producers, or discount export prices. The role of the government in generating the financial cushion is paramount.”

Her conclusion is that there is not enough transparency at the government level or from the CWB to establish the exact size of the cushion that is generated. The framework for the Doha round of WTO negotiations had just been established when this paper was published and she believed that STEs would be a major part of the negotiations that involved Canada and the U.S. in the next round.

Around the same time Kee et al.(2004) from the U.S. Center for Agricultural and Trade Studies were preparing a study for Senator Kent Conrad. This study used a theoretical model to study the effect that the Canadian wheat marketing practices had on U.S. wheat prices. They used a partial equilibrium model that was based on quadratic programming. The goal of the system was for welfare of both consumers and producers to be maximized in the wheat market. They divided each country into multiple production and consumptions zones along the lines they thought best fit with the reality of the markets. The model did include transport costs and also included not just rail pricing but also truck and barge shipping as well. The final assumption was that all markets outside of Canada were highly competitive.

They conclude that Canadian farmers that were close to the border would benefit from the elimination of the CWB as they would be able to ship their grain to grain elevators in North Dakota for much less than it currently costs them to ship the grain to export ports. This increase in exports of Canadian grain to U.S. market would likely drive prices down which would allow the U.S. market to then increase their exports abroad.

The long term results on the other hand would be that the Canadian market would become more efficient over time and the benefits initially obtained by the U.S. market would likely be lost as the two country's grain markets became more integrated. The long term outlook would be that the Canadian farmers would start taking advantages of opportunities in the U.S. market which would reduce the domestic demand for U.S. grains. The final recommendation from this report is that the U.S. would actually be better off if the CWB were to remain in place but reduce or eliminate its hidden subsidies that were outlined by Goodloe.

These studies were conducted at approximately the same time as the WTO dispute was taking place. A few years later Smith (2007) was able to take a retrospective look at the conclusions drawn by the WTO panel. Not all of the decisions made regarding the dispute were in Canada's favour when the final document was released. The CWB was not found to be violating any of the GATT conditions but the Canadian Government policies governing rail movement of grains did. The panel decided that the government's controlled pricing preference for domestic grains were a violation of their agreements. A change was made by Canada that allowed foreign grain moving on Canadian rail systems to have the same price advantages offered to Canadian grain producers. Smith points to this and concludes that the WTO dispute system was working as it was intended but that some issues with the way the rules had originally been written still existed. One problem he saw was, like previous studies had determined, the

lack of transparency at all STEs, including the CWB was a hindrance to the study of its actions. When there was a dispute at the WTO it was up to the complainant to offer evidence that an STE was guilty of infractions. Since the information was not available due to the lack of transparency, there was no real way for the cases to be won. Instead he recommends that the rules be, in a way, reversed. When the data required to investigate an accusation of wrong doing was available it should be the STEs that provides it to support their defense. By denying access to any information to the review panel, the STE would, in essence, be admitting guilt.

Another problem outlined in his conclusions is that STEs are considered different from a direct government subsidy or grants under the WTO, in that way the rules are more lax and can lead to this type of outcome. Smith recommends that all STEs be regulated as if their actions were that of the government directly. His overall impression was that the conclusions of the WTO panel were correct and that the system had worked well within its guidelines.

Section 5 – Conclusions

The literature that I discussed in this paper has shown us that the CWB does in-fact generate price premiums for their members. The most likely source of these premiums does not come from traditional market power. Instead it comes from a combination of high quality product and its reputation for a well managed reliable supply of grains all over the world. They do seem to practice a pricing to market strategy but again it appears the source of their ability to ignore cost saving pass through is not market power but quality and reliability.

Now that the monopsony power of the CWB has been removed we can expect that the costs associated with finding contracts and shipping will increase for each individual farmer. For this change to be a net gain for farmers they will need to either find some way to control these

costs, sell their farms to larger more efficient farming organizations or ideally use their new ability to sell anywhere they like to take advantage of high spot prices around the world to cover the new costs and ideally exceed them to make a larger profit than they currently do.

The international community has wanted the removal of the CWB monopsony power for many years and have petitioned the WTO to have it changed. Most international wheat organizations should be quite happy with the new form of the CWB as it appears to address all of the issues that were raised in at the WTO DSB.

There is obviously little need to continue with research on the advantages of the CWB for Canadian farmers. The main feature of the CWB has now been removed and so the issue is now moot. However, now that the change has been implemented we need only wait a few years before we have a perfect data set for analysis. The change in policy will give us a perfect natural experiment data set which should allow researchers to easily analyze and isolate how the CWB did in-fact affect prices and surplus in that market.

From the researched outlined in this paper we see that the consensus seems to be that some farmers will lose out while others will gain. In the complex and dynamic market that makes up the wheat industry worldwide we will not be able to fully understand the consequences of this change until we see them first hand.

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