

The Dynamics of Institutional Resilience and Transformation:
The Case of the Canadian Wheat Board

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In the mid-1990s, the Canadian marketing agency with a long-standing monopoly to export prairie-grown wheat and barley came under attack. The Canadian Wheat Board's export monopoly was the major source of criticism, the target of a minority of prairie farmers and the government of Alberta. While endorsing the Board's monopoly, other prairie farmers nonetheless criticized the Board's lack of direct accountability to farmers and its 'inflexible' operating procedures. The conflict over the Wheat Board enveloped prairie Canada for almost five years, encompassing a legal challenge to the Wheat Board's constitutionality, a government-commissioned review of its mandate and functioning, and a prairie-wide referendum on the Board's appropriate marketing authority. The turmoil abated with statutory changes to the governance and operational structures of the Wheat Board, but not to its monopoly over export sales of wheat and barley. As the legislative changes to the Canadian Wheat Board Act were making their final passage through parliament, a spokesman for the Wheat Board voiced his approval for the reforms, stating that they reflected "balance."¹

From the perspective of institutionalist accounts, the outcome of this debate over the Wheat Board's role and functioning is neither surprising nor difficult to explain. The Wheat Board is a large institution, with sales in the amount of \$6 billion, selling Canadian grain in over 70 countries, and eminently equipped with the financial and expert resources to defend itself. Like other well established institutions, over its lifetime the Wheat Board has also generated a coalition of active supporters with a vested interest in the institution's continuation. In the absence of a major performance crisis or a significant external shock, these positive feedback effects and the lock-in dynamics of path dependence (North 1990; Pierson 2000) made it virtually a foregone conclusion that nothing more than incremental change would occur to the 55-year-old institution.

There is much that is persuasive in this simple, structuralist account. However, it is overly determinist, ignoring the role and impact of individual and collective actors, and their political strategies and discourse on the final outcome. The actions of individual, group, and corporate political actors affected the course of the political contestation and precluded a preordained outcome. In 1993, the Conservative minister responsible for the Canadian Wheat Board had done just what Wheat Board critics had urged him to do: he had stripped the Wheat Board of its monopoly to sell barley into the export continental market. Although Minister Mayer's action was challenged and ruled unconstitutional, there was little to stop his successor in the Liberal majority government, had he shared Mayer's beliefs, from introducing legislation to this same end. A supporter of the Wheat Board, Minister Goodale's own actions, however, injected uncertainty into the outcome of the dispute. Faced with turmoil in the prairie community, he sought the advice of an external review panel, and then held a plebiscite on the Wheat Board's marketing mandate. The review panel's extensive consultation, the debate in the farm community that preceded the plebiscite, and the hearings that accompanied the legislative changes all gave prairie farmers ample opportunity to deliberate on and decisively shape the

Board's fate.² In short, on the path that began with the Wheat Board challenge and ended with its retention but transformation, there were forks at which, had different authoritative actors been present or the same actors pursued different goals and strategies, the outcome could well have varied. Most obviously, the Wheat Board could have been stripped of its marketing monopoly, an outcome that would have radically transformed the institution. Instead, the institution underwent 'its greatest period of reform in more than half a century' (Wilson 1998: 1). Whether the Board had proven resilient was debatable; one core principle, single desk selling, was intact, but another, price pooling, appeared to have been put in jeopardy.

The Canadian Wheat Board case provides a vehicle through which to examine the dynamics of institutional resilience and transformation. That examination is the purpose of this paper. It addresses the following question. When demands arise for radical institutional change, what enables an institution to be robust and limit reforms to those which do not undermine its core principles? The answer provided is one that focuses on three factors that scholars have hypothesized are integral to accounting for institutional change and continuity. They are an institution's mechanisms of reproduction, the agency of pivotal political actors, and the discourse of contending factions. The reproduction mechanisms or feedback effects of an institution are the processes by which its ideational and material foundations are sustained over time (Thelen 1999; Mahoney 2000; Pierson 2000; Linder 2003). These feedback processes normally buttress an institution by providing it with active and resourceful supporters; they thus make difficult the task of those who seek the institution's radical reform. The second factor is the goals and strategies of political actors: their calculations and perceptions of the context within which they find themselves and which inform their actions. Political actors, not least authoritative decision-makers, introduce an element of dynamism into the account in that the effects of their goals and strategies can be either congruent with or contrary to those of an institution's feedback processes. The third factor is the discourse of actors: the manner in which they deploy ideas, language and information to frame the terms of the debate about what is feasible, possible, desirable, and legitimate—and thus to build a case for reform or the status quo.

Avoiding radical change or limiting it to incremental reforms that indicate institutional resilience normally requires that the coalition of active supporters mount a persuasive discourse that defends the institution's core ideational principles and which has a good 'fit' with its reproduction logic. The context within which the institutional challenge is mounted also affects the dynamics of institutional continuity and transformation. It is normally the catalyst that destabilizes existing mechanisms of reproduction, but also shapes and interacts with actors' political strategies and discourse.

The argument begins with a fuller development of the theoretical framework before turning to an examination of the empirical case of the challenge to the Canadian Wheat Board.

Analyzing Institutional Transformation and Resilience

Institutions come into being in different ways. Some, like the organization under empirical investigation here, are deliberately created, while others evolve. By virtue of the distinctive historical and often contingent circumstances of their birth,³ institutions incorporate a set of ideational foundations and generate ancillary material foundations. The ideational foundations of

institutions are the reality constructs they embody about how the world works—what is possible and feasible—as well as their normative beliefs about desirable and legitimate means and ends. These ideational foundations are normally present at the outset but they can evolve over time. Institutions' material foundations derive from the incentive and distributional effects of their rules and norms, as the latter induce certain patterns of behaviour and distribute resources and power. Scholars have elaborated these feedback effects of an institution's constitutive ideas, rules and norms. They include giving actors' incentives to adapt their behaviour in a way that reinforces the logic of the institution's rules and norms. They also include facilitating the organization and political empowerment of beneficiaries of these same rules and norms, even while marginalizing others. The material foundations of an institution—coalitions of material interests with the incentives and resources to maintain the institution because they benefit personally from its rules and outcomes—often solidify over time (Weir 1992; Pierson, 1993, 2001; Thelen 1999).

The resulting distribution of *power* is one of the major mechanisms of reproduction of institutions and one to which scholars have directed considerable attention. The institution persists because it is supported by social actors who benefit from its rules and outcomes and who are sufficiently powerful to promote its continuation (Mahoney 2000: 521). Beneficiaries are not necessarily those who had power prior to the institution's creation; they may well have been subordinate to an alternative group at the institution's genesis. However, they subsequently become empowered by its rules and outcomes and support its continuation and even expansion. Institutional change occurs when beneficiaries of the group are weakened and overcome by other, previously subordinate groups, a situation that can occur as a result of social and economic changes.

There are, argues Mahoney (2000), other ways in which institutions are reproduced and, in turn, other catalysts to institutional change. He identifies three other sets. One is a *utilitarian* mechanism of reproduction and change. It often characterizes organizational institutions, such as those found in the market place and of which the Canadian Wheat Board is an example. Such institutions are deliberately created to realize net gains—such as reducing transaction costs by providing enforcement mechanisms and information—and they persist as long as they are perceived to offer more benefits than costs (North 1990). The mechanism that prompts change is a calculation by influential social actors, often as a result of learning processes, that the benefits of the institution are outweighed by the costs of transformation. That is, unlike the institutions that rest on a power mechanism, where change comes when beneficiaries of the institution are out-muscled by others, change to utilitarian-based institutions comes as a result of the beneficiaries of the institution turning their back on it. The likelihood of this occurring is offset by sunk costs and the certainty of the familiar, both of which create a bias toward institutional stability. Sunk costs refer to the investment of resources that social actors have to make in learning the rules and norms of new institutions (Stinchcombe 1968: 120-21). Having made this investment, social actors will be inclined to stick with an institution, rather than switching to a new one whose rules, at least initially, have unpredictable and uncertain effects. Because knowledge of alternative institutions is likely to be “second hand or purely conjectural” as compared to the experiential knowledge of the existing institutions, “If the stakes are high and there is some *risk aversion*, actors may stick to their old institutions even if they suspect there

are better alternatives” (Genschel 1997: 48). They may opt to patch it up as a less costly and less risky strategy than institutional abandonment (Ibid: 53).

Another mechanism of reproduction is *functionalist*. In this case, institutions persist over time because of their ‘consequences ... for an overall system’ (Mahoney’s emphasis: 519). The mechanism of change here is an “exogenous shock that transforms system needs.” (Ibid.: 517) Here, it is not the recalculations of social actors directly implicated by the institution that are the catalyst to change, but rather it is the altered perceptions of systemic-level actors—that is, political decision makers—of the feasibility and desirability of the institution, given the needs of the political system as a whole.

Legitimation is the final mechanism of reproduction that Mahoney describes, and one characteristic of institutions whose continuity rests on “actors’ subjective orientations and beliefs about what is appropriate or morally correct” (Ibid.: 523). Institutional transformation occurs when other cognitive frameworks and other moral codes of appropriateness that are at odds with or contradictory to those that sustain the institution cause an institution to lose legitimacy. The conditions that can precipitate a loss of institutional legitimacy, says Mahoney, include a decline in the institution’s efficacy or stability, as well as the introduction of new ideas by political leaders (Ibid: 525). Along these lines, Lieberman (2002: 703) suggests that the emergence of new value and belief systems, or even a new layer of institutions predicated on alternative ideas to those embedded in extant institutions, can stimulate extraordinary political change by subjecting the same set of actors to conflicting pressures.

Mahoney’s delineation of power, utilitarian, functionalist and legitimation mechanisms of reproduction and change has the virtue of emphasizing that different institutions will be destabilized by different mechanism as their distinctive foundations weaken or crumble. This point is an important one and suggests that different political and discursive strategies will be required by pro-change and anti-change factions depending upon the institution in question. However, the typology, in an effort to clarify analytically the different pathways of institutional continuity and change, suggests greater differences across institutions than are probably warranted. Most institutions are unlikely to rely on a single, reinforcing mechanism. The institutionalist and functionalist logics appear especially complementary and likely to co-exist; the former applying to the social actors who are the beneficiary of the institution, the latter, to the political decision makers who are responsible for it. The same can be said for the power and functionalist logics.

In addition, the suggestion that only some institutions rely on legitimacy for their reinforcement over time is problematic. The implication is that there are two logics: a logic of calculus which undergirds the power, utilitarian and functionalist mechanisms of reproduction, and a logic of appropriateness which characterizes the legitimation mechanism of reproduction.⁴ Phrased differently, the suggestion is that material factors are predominant for some institutions’ continuity while ideational factors take priority for others. The distinction masks the complex interaction among ideational and material factors (Hay 2002: 208). Except possibly in the case of an abject policy failure—for example, a food safety agency failing to prevent contaminated food from entering the food supply and causing consumer sickness and death—the legitimacy of an institution is in many respects less an empirical phenomenon than it is a subjective construct.

These last observations make clear the need to extend Mahoney's typology to examine the role in institutional transformation of strategic actors and their discourse.

Because individuals have multiple or ambiguous preferences, it is rarely self-evident when an existing institution no longer maximizes their utility, when it is no longer functional to the political system as a whole, or when it is at odds with (new) societal values. A case must therefore be made for change or the status quo. Building this case is a discursive exercise of framing the terms of the debate in a way that lends legitimacy to some outcomes rather than others, and then persuading the policy community and authoritative decision-makers through discussion and deliberation that the desired outcome is both necessary and appropriate. Ideas, language and information are the tools of policy framing, deliberation, and persuasion. On the part of those who seek change, the framing and deliberative processes are aimed at mounting empirical evidence to demonstrate that the changes advanced are necessary and also providing normative arguments that they are desirable and appropriate. The task includes changing individuals' perceptions of the capacity of existing institutions to promote desirable goals and norms (Schmidt 2001, 2002).

Discourse and deliberation interact with the contextual setting of institutional change. The institutional, political, social, and economic context privileges certain discourses and strategies over others. But actors also seek to "appropriate" the existing institutional context and broader setting to their advantage (Hay and Wincott 1998: 955). They do so by marshaling expert knowledge and invoking shared values, for example, to shape others' interpretations of the meaning of this context. Attention to discourse and political strategies recognizes the substantial role that actors play in institutional reproduction and transformation (Hall and Taylor 1998).

Demonstrating the discrete contribution of discourse to the outcome of political conflict over institutional change and resilience is difficult. Schmidt (2001: 250) observes that discourse "rests... on top of other variables", including the material interests of the actors who advance the ideas that comprise the discourse and the institutional context that shapes these same ideas.⁵ Rather than arguing any independent causal impact of discourse, the analysis here probes its interactive effects with other factors that affect institutional transformation and resilience. It argues that discursive arguments, to be compelling, must have a good 'fit' with the reproduction logic of the institution. That is, successful challenging and defensive discourses for institutions whose primary mechanisms of reproduction are utilitarian, power or functionalist, differ from those for institutions overwhelmingly reliant on legitimation. The former (challenging) discourse requires framing the argument for change in a way that highlights the material costs of retaining the institution, its negative distributional effects, and its incompatibility with broader systemic goals. The latter (defensive) discourse requires an argument about the continuing material need for and benefits of the institution, its positive distributional consequences, and its continuing capacity to promote systemic-level objectives.

In the examination which follows of the Canadian Wheat Board challenge, attention turns first to its historical origins. Knowing the circumstances of the Board's genesis and its institutional development over time reveals the ideational and material foundations which had to

be breached if the Board were not to be sustainable, and the mechanisms of reproduction that made that task so difficult.

The Canadian Wheat Board: Institutional Origins

Utilitarian considerations on the part of prairie grain farmers and a functionalist logic on the part of the government of the day explain the creation of the Canadian Wheat Board.⁶ Grain farmers sought a compulsory national grain marketing board as an antidote to the what they regarded as arbitrary and monopoly pricing by private grain traders operating on the Winnipeg Grain Exchange. In this open market system, the price farmers received for their grain fluctuated daily in response to the buying and selling of future contracts, and even then, was often considerably less than that listed on exchange markets. As a corrective to this iniquitous economic situation, prairie grain farmers sought an orderly marketing system. The first pillar of this system was a single desk marketing agency to which farmers would deliver their grain, and which, in turn, would sell the grain to foreign buyers. The second pillar was equalized delivery opportunities, in the form of a quota to deliver grain to a specified elevator, and pooling of returns, whereby the farmer received an initial payment upon delivery of his grain and a final payment at the end of the crop year based on the net sales of that grain. Price pooling guaranteed the farmer that over the marketing year his returns were equivalent to those received by other farmers for grain of the same quality. The third pillar of orderly marketing was government financial underwriting of the marketing agency's operations, including its initial payments (which guaranteed a minimum price) to producers.

The earliest initiatives in orderly marketing occurred during the first World War, when the Canadian government suspended grain sales on the open market for part of the 1916 crop and the entire 1917 and 1918 crops, and authorized a government agency to acquire and sell Canadian wheat at fixed prices. The action served system-wide purposes; it was in response to the growing wartime demand for Canadian wheat and was taken to curb its price. After the war, uncertain markets and inflationary prices led the Canadian government to create the first Canadian Wheat Board. It was a temporary agency which fixed minimum prices and with a monopoly over domestic and exports sales of the 1919 crop. Despite farmers' urging that it remain, the Board was disbanded once the economic situation that had prompted its creation disappeared. The open market system of private grain traders and the Winnipeg Grain Exchange was restored in August 1920.

The postwar campaign of the major grain growers' associations, national agricultural groups and western legislatures for the restoration of the monopoly grain marketing board was vehemently opposed by private grain traders. The latter had the ear of the governing Liberal Party. It was only when farmers' own collective marketing efforts, through farmer-owned prairie wheat pools, failed in the depression-ridden 1930s that the governing Conservative Party established the Canadian Wheat Board. It was created in 1935 as an 'expedient' measure⁷ to dispose of a large quantity of wheat which the government had purchased from Canadian farmers when world prices had plummeted. The Board's authority was considerably less than farmers had wanted. At the insistence of the opposition Liberal Party and the private grain companies, the Wheat Board was only a voluntary marketing agency for prairie wheat, forced to

compete with private grain companies. Upon delivery of their grain, it paid farmers an initial payment that was guaranteed by the federal government.

In government, after first trying to get rid of the Board and facing a solid phalanx of opposition from western premiers, the Liberal Party eventually discovered its functionality. In 1943, when grain prices rose substantially, farmers sold their grain to the private traders. They bypassed the Wheat Board, shortchanging its stocks. The result was that the Government of Canada faced a shortfall in terms of its commitments to its wartime allies, principally Great Britain with whom it had signed a long-term supply contract. To secure adequate supplies, selling of wheat futures trading on the open market was suspended and the government granted the Wheat Board a two-year monopoly to sell prairie wheat and expanded its authority. The Wheat Board thus served systemic-wide interests; it allowed Canada to honour its grain supply commitments to Britain and its pricing policies arrested domestic inflation by keeping grain prices artificially low.

The genesis of the single-desk grain marketing agency, with price pooling authority and government guarantees of its financial operations, indicates a functionalist logic on the part of the ruling government. It is true that the lobby for the monopoly agency was indeed large and included all the significant interests but the prairie grain traders and the governing Liberal Party; that is, the other political parties, the Canadian Federation of Agriculture, the prairie wheat pools, and the three prairie provincial governments (Thompson 1996). That this lobby ultimately prevailed was because it eventually came to be in the interests of the governing Liberal Party to heed it. Commitments to wartime allies were one major incentive. Partisan incentives were another. When the Liberal Government continued the compulsory board beyond its original two-year mandate in 1945, it did so to avoid electoral defeat as a result of western Canadian farmers' abandoning the party. When it extended the Wheat Board's monopoly to prairie oats and barley in 1949, it did so once again to avoid the very real possibility of losing the western vote in the forthcoming election. An additional factor was that the Board ensured the government had access to the grain supplies it needed to fulfill wartime contracts (Morris 1987: 188-92).

The utilitarian (for farmers) and functionalist (for the government) mechanisms of reproduction of the Wheat Board were fortified over the 1950s, 1960s and 1970s when the Wheat Board proved to be a very successful grain marketing agency. During the 1960s, often as a result of credit guarantees by the Canadian government, the Wheat Board procured a series of long term bilateral contracts with major grain importing countries, including China and Soviet Union. In the late 1970s and early 1980s, when the western Canadian grain handling system proved inadequate to transport the increasing volumes of prairie grain production, the Wheat Board entered into the grain handling system for the first time and purchased its own rail cars to move grain. In the early 1980s, Canadian wheat and barley exports reached their highest ever levels (Morris 2000). It was thus easy to understand the 1982 characterization of the Wheat Board by three neo-classical economists: "Its central and commanding role in regulatory matters in the grains industry, its historical performance, and its wide acceptance by producers makes its disappearance from the scene unthinkable and unsupportable" (Forbes et al: 1982: 85).

Contextual Change and Institutional Challenge

The context within which the challenge to the Wheat Board was mounted was one of general deregulation of markets as regional and multilateral trading agreements came into effect, higher grain prices in the US market relative to those in international markets, and continuing American trade challenges to the legality of the Wheat Board. The changing context began in the mid-1980s when, in a bid to recapture its dominance in international grain markets, lost to the European Community's aggressive subsidization of grain production and export, the US implemented its own export grain subsidies. The Export Enhancement Program lowered international grain prices and raised internal US grain prices. It made the US a more attractive market for Canadian grain exporters and Canadian exports to the US rose accordingly in the late 1980s and early 1990s. The removal of US restrictions on Canadian grain imports in the Canada-US Free Trade Agreement in 1989 also promoted Canadian grain exports to the US (Wilson and Dahl 1998).

These events de-stabilized the utilitarian and functionalist mechanisms of reproduction of the Wheat Board. As larger volumes of Canadian grain entered the American market, American grain growers targeted the Wheat Board, claiming that its monopoly, and the financial underwriting of its transactions by the Government of Canada gave Canadian grain growers an unfair competitive advantage. Their allegation that the Wheat Board sets prices below cost in order to undercut US grain growers in their own domestic market precipitated virtually continuous American investigations into the operations of the Wheat Board. The easier access to the buoyant US market put the Wheat Board under domestic pressure as well. Two commodity organizations philosophically opposed to the Wheat Board's monopoly had formed in the 1970s. Under the lure of higher US grain prices in the early 1990s, the Western Canadian Wheat Growers Association and the Western Barley Growers Association elevated their criticisms of the Wheat Board whose regulated marketing framework, they believed, cost them money and lost opportunities in the American market. They pressed the Conservative minister in charge of the Canadian Wheat Board to end the Wheat Board's monopoly. Charlie Mayer responded, first removing the Wheat Board's monopoly on export oat sales in 1989, and then on barley sales into the US in 1993. Mayer's action, taken by order-in-council, was immediately challenged by the three prairie wheat pools, and ruled unconstitutional by a Canadian court on the grounds that changes to the Wheat Board's legal authority necessitated statutory amendments.

When the Liberals returned to power in 1993, they inherited a vocal minority of western Canadian grain growers clamouring for a dual market for barley export sales. A dual market would mean the Wheat Board would be one export seller alongside private grain companies; the very situation which had prevailed between 1935 and 1943. The demand for a dual market was supported by the Conservative Government of Alberta and the Reform Party, which enjoyed strong rural western representation in the House of Commons. Individual farmers living near the Canada-US border, and grouped under the umbrella organization, Canadian Farmers for Justice, circumvented the Wheat Board's legal authority in late 1995 and early 1996 to truck barley directly across the Canadian-US border to grain elevators in northern US states. The high US spot prices netted them greater immediate returns than they could extract from the Wheat Board, which bases its initial payment on world average prices. The farmers, who lacked the requisite export permit (obtainable only from the Canadian Wheat Board), were found to be acting illegally and were fined. However, border-running episodes did not end. Individual critics of the

Board joined the Alberta Barley Commission and the Western Barley Growers Association in a constitutional challenge of the Wheat Board. The Conservative government of Alberta conducted a provincial plebiscite in the fall of 1995 that showed that two-thirds of Alberta farmers supported a dual market.⁸ The challenge to the Wheat Board's legal authority was fully evident.

Attack and Counter-Attack: Political Strategies and Discourse

The strategy and tactics of the minister responsible for the Wheat Board, Ralph Goodale, were significant to the resolution of the crisis. A supporter of the Wheat Board, Minister Goodale's initial strategy was to seek counsel and engage the prairie community in what he hoped would be an informed and informing debate. In mid-1995, Goodale established the Western Grain Marketing Panel (WGMP) and asked it to conduct a review of grain and marketing issues, including the future of the Canadian Wheat Board. The questions the WGMP posed of farmers as it held a series of meetings throughout prairie Canada framed the terms of the debate. They included the following. Do changes in the global market place require Canada to make any changes in its grain marketing system? Are changes needed to stimulate and support investment in grain processing? Can the Canadian Wheat Board, as a monopoly expert seller, extract a better return for farmers from world markets than could a system of multiple sellers? Should the board be made more directly accountable to farmers? Would changes to the marketing system threaten Canada's valued reputation among grain buyers for high quality, consistency and integrity? Would an end to government guarantees of initial payments mean higher costs and lower returns for farmers?

The majority of these questions focussed on the economic costs and benefits of the Wheat Board. Discussion around these questions, as the WGMP held hearings and meetings over the winter of 1995-96⁹ throughout western Canada, was framed by conflicting economic analyses of university academics. Three professors of agricultural economics produced a Canadian Wheat Board-sponsored report which concluded that the Wheat Board yielded farmers higher returns than would a situation of multiple buyers. The Kraft et al. report said these premiums would disappear under a dual market (Briere 1996:4).¹⁰ Shortly therefore, the Alberta government also produced a commissioned report by two different agricultural economists who concluded the Wheat Board monopoly cost Alberta farmers money. Beyond the issue of the economic benefits/costs of the Board was a second one on which professional agricultural economists again had considerable authority. This question was whether a dual market was feasible: that is, if the Wheat Board lost its monopoly and had to compete with private grain traders, could it continue to yield its existing benefits, for example, of price pooling? The conclusion by University of Saskatchewan agricultural economist, Murray Fulton, that it could not—that the Board's pooling system would not be sustained over the long run in a dual market¹¹—also significantly affected the terms of the debate, lending support to Wheat Board proponents and undermining critics.

While experts squared off in terms of their economic analyses, the discourse of pro-change and pro-Board supporters differed. Before the WGMP, and indeed throughout the entire controversy, Board critics challenged the marketing agency on legitimation grounds, arguing it restricted individual rights, most specifically, the freedom of farmers to market their grain as they chose.¹² By contrast, Wheat Board supporters focussed on economic criteria. The president

of the National Farmers Union, arguably the most zealous defender of the Wheat Board (beside the Board itself), directed the discussion to utilitarian considerations. Nettie Wiebe urged farmers to focus on the practical questions: “Does it save us money, does it make us money, is it a better way financially of marketing for us?” (Ewins 1996a: 5). This difference of perspective—and discourse—did not mask the utilitarian considerations which also lay behind pro-change forces. As one agricultural economist observed, “Those that want freedom of choice are talking about maximizing their own returns, not maximizing the collective returns, and that’s the economic difference.”¹³

The WGMP issued its report in July 1996. Included in its 33 recommendations were proposals on how to make the Board’s operations more “flexible”, including allowing it to make cash purchases of grain, and more democratic, by replacing government-appointed commissioners with farmer-elected directors. On these two items, most prairie farmers had agreed reforms were needed. But the Report also recommended that the Wheat Board lose its monopoly over feed barley sales.¹⁴ Board critics, like the Western Canadian Wheat Growers Association, said the Report did not go far enough, but wanted Goodale to implement its recommendations quickly. By contrast, supporters of the Board, not least the Wheat Board itself, condemned many of the Panel’s recommendations. The Wheat Board said the loss of the export feed barley monopoly would soon put it out of barley marketing altogether. To the Panel’s recommended cash price option, the Board replied it would create a de facto dual market for wheat. The pooled price would consistently look bad in comparison with the cash price, especially during times of rising market or export subsidies and pressures would mount for more and more cash pricing.

The response of Minister Goodale was crucial to the eventual outcome of the controversy. Instead of implementing the report, he asked farmers and the grain industry to give him feedback on the Report by the end of the summer. His decision provided the opportunity for pro-Board farm organizations and institutions—the National Farmers Union (NFU), the Canadian Federation of Agriculture, the Saskatchewan NDP government,¹⁵ the Saskatchewan Wheat Pool and the newly formed Family Farm Foundation—to rally to the Board’s defence. Up to this point in time, and as reflected in the recommendations of the WGMP to remove the Board’s export over barley, the momentum appeared to lie with the anti-Board coalition. They had been skilful in attracting media attention—through their border runs and publicity campaigns—while Board supporters had been largely silent (Briere 1998: 28).¹⁶

Mobilized by the NFU and a fledgling umbrella group, Concerned Farmers Saving the Wheat Board, farmers turned out in the hundreds and thousands in prairie cities and towns to say the Western Grain Marketing Panel had not listened to the majority of farmers and to urge the Minister not to implement any Panel recommendations that would undermine the Board’s marketing authority. They responded to Minister Goodale’s invitation for feedback, bombarding his office with letters of support for the Board’s export monopoly. Again, Board supporters had assistance from expert authorities. In early August, five University of Saskatchewan agricultural economists issued a critique of the Panel’s recommendations. The professors recommended against the sale of feed barley on the open market, saying it would erode malting barley premiums and reward cheaters. At the same time, they urged the minister to move quickly to

amend the Canadian Wheat Board Act to create a new governance structure for the board and then to let that new board decide on the agency's future marketing powers. The governance structure they foresaw was a farmer-elected board of directors that would include limited government representation but no grain trade presence (Ewins 1996b: 5).¹⁷

In response to what he heard over the summer of 1996, Goodale proceeded on two fronts. First, in an effort to appeal to what he described as "the broad middle ground", he introduced legislation in the fall of 1996 to amend the Canadian Wheat Board Act to allow for more flexible pricing arrangements and more democratic and accountable governance. Second, he announced that a plebiscite would be held in February 1997 on whether the Wheat Board should retain monopoly marketing control over all barley exports and domestic sales of malting barley. The plebiscite, he said, was a "democratic process" that was "essential to clear the air with respect to barley." Further, "assuming a solid level of turnout and considering it is a clear-cut question," he would find the results "very compelling" (Wilson, 1997).

Goodale made a strategic decision to put only two ballot options before grain growers. One was the single-seller option which would retain the Board's existing monopoly powers over barley. The other was the open market option which would remove all barley--feed and malting--from the Wheat Board and place it entirely on the open market for domestic or export sales. A dual market was not an option. Goodale's plebiscite strategy was assailed by Board critics and supporters alike, the former condemning the absence of a dual market option on the ballot, the latter for exposing the Board to the risk of a plebiscite. The ballot choices reflected Goodale's conclusion that the Wheat Board would not long survive if it had to compete with the grain exchange; on this matter, he had been convinced by the 1996 Kraft et al. study (Goodale 2003). With the dual market option not on the ballot, some organizations that had been highly critical of the Wheat Board remained on the sidelines of the publicity campaign that preceded the late February ballot.¹⁸

Leaving nothing to chance, weeks before the plebiscite, the Wheat Board issued a report it had commissioned from four agricultural economists¹⁹ who concluded that the Board had been able to capture a premium on barley sales because its market powers allowed it to sell the same barley for different values in different markets. Clear economic benefits flowed to farmers as a result; the economists estimated them to be some \$72 million during the ten year period ending in 1994-95 (Ewins 1997: 3). Whether farmers were swayed or not by the economists' arguments was not clear. But there was nothing uncertain about the results of the February 1997 plebiscite. They were a clear victory for the Wheat Board and its supporters, with 63 per cent voting to maintain the Board's existing authority as the single seller for all barley except feed barley sold domestically.²⁰ Only 37 per cent voted to place all barley (feed and malting/food) on the open market for all domestic and export sales.

Shortly thereafter, the constitutional challenge of the Board mounted by the Alberta Barley Commission, the Western Barley Growers Association, and nineteen farmers acting in their own right proved fruitless. In April 1997, the Federal Court ruled that the Wheat Board did not contravene the Canadian Charter of Rights and Freedoms, as the plaintiffs had alleged. Lawyers for the government of Canada had persuaded the ruling judge that the Canadian state

had a legal right to regulate interprovincial and export grain markets (Federal Court of Canada, 1997: 79). Justice Muldoon, citing the experts called on behalf of the Wheat Board, held that the government had proven on a balance of probabilities that the Wheat Board would not be viable in a dual market and that the dual market was merely a transition to the open market. This conclusion, said Justice Muldoon, was supported by 'two uncontroverted facts.' The first was that 'no [voluntary] cooperative in the U.S. has successfully operated a wheat pool of any major size for any substantial period of time during the last 20 or 30 years.' The other relevant fact was 'Canada's own experience with the dual market between 1935 and 1943, and... particularly in 1938 and 1943' (Ibid: 69, 70, 72).

In December 1996, Goodale introduced legislation to amend the Canadian Wheat Board Act that would modernize its governance structure, enhance its accountability, improve its responsiveness to changing producer needs and opportunities, provide more flexibility and faster cashflows, and minimize complications in international trade (Goodale 1996b). The amendments fell into three broad categories. The first related to the governance and accountability of the Wheat Board. The government-appointed commissioners were replaced by a fifteen member board of directors, the majority of whom (ten) are farmers elected by farmers. Goodale had originally proposed a set of interim directors to be appointed by the Government of Canada, pending elections of farmer directors in 1998. However, this suggestion met with wide scale opposition and was eliminated in the bill which received parliamentary approval in June 1998. These governance changes were to make the operations of the Board more transparent and accountable to farmers by allowing farm directors to exercise "real power and real responsibilities", and to provide greater democracy and accountability. The second set of changes were intended to make the Wheat Board's operations more 'flexible' and responsive to producer needs by, for example, providing for new pricing options and cash purchases. The Wheat Board had argued for many of these changes, as had many farmers. And the third category of changes related to the Canadian Wheat Board's mandate. The Wheat Board's existing monopoly (over export sales of barley and wheat and wheat for domestic consumption) was not altered. But any significant or fundamental changes in the future to its mandate would be conditional upon an affirmative vote among farmers. If farmers wanted to end the Wheat Board's monopoly, it would now be in their power to do so.²¹

The passage of the legislation through parliament provided further occasion for deliberation over the mandate, governance, and functioning of the Wheat Board, especially as both the House of Commons and Senate standing committees on agriculture held hearings in Ottawa and western Canada.²² For the most ardent supporters of the Wheat Board--the National Farmers Union, the NDP, the Saskatchewan Wheat Pool--Goodale's efforts to accommodate Wheat Board critics by demonstrating the Board's flexibility went too far. They feared one of the Board's pillars, price pooling, would be undermined by provisions to allow cash payments. They also resisted government efforts to restrict government liability for Wheat Board operations, by removing the government's underwriting obligations for adjustments to initial payments. Although the Government of Canada would continue to guarantee the Board's initial payments, credit sales program and annual operational borrowing, changes that introduced a variety of pricing and premium options necessitated the establishment of a farmer-financed contingency fund to deal with new financial risks. The worry was that these changes could well undermine

the Board sooner rather than later. For their part, anti-Board advocates continued to insist the reforms did not go far enough; 'flexibility' in Wheat Board operations did not equate to freedom of marketing choice.

Weighing the Impact of Mechanisms of Reproduction, Discourse and Political Strategies

What does the outcome of the institutional challenge suggest about the impact on institutional transformation and resilience of three hypothesized factors: institutional feedback effects or mechanisms of reproduction, actors' political strategies, and actors' discourse? The working hypotheses here are that an institution's mechanisms of reproduction work in concert with actors' discourse; to be compelling, the discourse in support of/in challenge to an institution must fit with its underlying logic or material and ideational foundations. Actors' political strategies—and goals in the case of decision-makers—have an independent impact on outcomes.

The historical origins and evolution of the Canadian Wheat Board indicated that its foundations were utilitarian and functionalist. Farmers sought the compulsory marketing agency and supported it for the economic gains it delivered to them as individual farmers. Governments learned over time about its aggregate benefits to the prairie economy and, indeed, to the Canadian economy as a whole. Over time, these positive feedback effects created a coalition of individual farmers and organizations who supported the Wheat Board. By the time it came under attack, it was no longer David, struggling against Goliath private grain traders. Rather, the scale of its commercial operations, its legal authority, and its track record had made it a Goliath. Accordingly, then, the Wheat Board had also generated power as a mechanism of reproduction.²³

When it came under attack, the Wheat Board should therefore have had little to worry about. It had the resources to commission independent experts to attest to its capacity to further farmers' utilitarian goals and governments' functionalist concerns. These academic findings resonated with a majority of farmers and powerful corporate actors (like the Saskatchewan Wheat Pool). Moreover, it had a powerful ally at court in a strategically adroit and sympathetic minister to whom it was responsible. When he inherited the Wheat Board dispute from his Conservative predecessor, Ralph Goodale had gone on record as supporting the Board, saying that opening it to competition from private grain companies or farmers, and changing its pricing policies, would 'destroy the board in short order.' Such actions, he said, would be 'counterproductive to the interests of Western Canada' (Quoted in Wilson 1994: 12). Goodale's own partisan interests gave him further reason to support the status quo. A January 1996 poll revealed four out of five Saskatchewan farmers supported the Wheat Board (Anonymous 1996: 3).

Further, the Wheat Board was perceived as serving a useful function in the broader agricultural and economic strategy of the Liberal government, committed as it was to expanding exports and enhancing Canada's competitiveness in the global world economy (Goodale 1996a). In contrast to a situation of multiple grain sellers, Goodale believed the Wheat Board was more likely to maintain the high quality standards and reliability of contract execution for which, as the Western Grain Marketing Panel noted, it was widely reputed. There would be reduced opportunity for Canadian branding in a multiple seller environment where each corporation (Cargill, Budgie, Dreyfus) marketed Canadian grains under their corporate name. The market

value that accrued from the Maple Leaf label would be lost to the economic disadvantage of prairie grain producers and Canada as a whole. Given these perceived advantages of the Wheat Board, Goodale was reluctant to tamper with its single-desk selling, lest it put Canada at a marketing disadvantage from which it would never be able to recover (Goodale 2003).

In the regional context, where good trade relations with the US are a priority, the Wheat Board might have appeared more dysfunctional—as critics of the Board argued. For Goodale, overall the Board worked in Canada’s favour. That it was such a thorn in the Americans’ side was evidence that the Wheat Board was indeed doing its job of rendering Canadian grains more competitive in regional and global markets. Moreover, he believed the Wheat Board’s strong international marketing plan actually worked to moderate Canadian-American tensions because it reduced the cross-border volume of grain trade. Eliminating the Board’s monopoly would cause more Canadian grain to flow into the US market, putting pressure on US prices, and undoubtedly inviting more American trade complaints and retaliation (Ibid.).

The resilience of the Wheat Board—as demonstrated by retention of its single-desk status—would appear then to be a product of primarily two factors: the power resources of the Wheat Board and the goals and strategies (detailed above) of the authoritative decision maker. Discourse also mattered, but it was that of experts, not the farm community itself. The information and arguments supplied by professional agricultural economists were consequential to the judicial ruling and to the actions of the responsible minister.²⁴ These expert analyses and arguments also arguably had an impact on the behaviour of prairie farmers, at least on that majority whose support for the Wheat Board was based on utilitarian calculations rather than on its normative appropriateness.²⁵

All three factors also help explain institutional transformation; that is, the amendments to the Canadian Wheat Board Act to make the operations of the marketing agency more flexible and its governance more democratic and accountable. Here, the impact of the discourse of prairie farmers, which appeared to be overwhelmingly for changes along these lines, is more discernible. This majoritarian discourse had an impact on the minister but so did the discourse of the ‘not insignificant’ minority of 30-35% of prairie farmers whose criticisms were more strident but whose opinions couldn’t ‘simply be brushed aside or treated in a cavalier fashion’ (Goodale 2003). Those minoritarian opinions had powerful institutional backers (the government of Alberta) and, in Goodale’s view, gestures towards accommodating them without sacrificing the core principles of the Wheat Board were necessary. The Minister was guided by other government-wide goals as well. The changes which reduced the government’s financial commitments for payment guarantees (restricting them to initial payments) were seen as a way to bring the Board in greater conformity with US loan-rate policies and thereby to ward off future US trade challenges of the Board (Goodale 1997). Institutional transformation was also expedited by the strategy of the Canadian Wheat Board, which recognized that preserving its single-desk status required concessions on other matters. It concurred with changes that would respond to farmers’ cash flow needs—indeed, it suggested many of them—and also with those that provided farmers with ‘an effective voice and a sense of ownership’ by giving them more direct say in the running of the Board (Hehn 1997).

Conclusion

Periods of institutional challenge and transformation, like those of institutional creation, are occasions of political struggle. There is, however, one crucial difference. By virtue of the feedback effects of its foundational ideas and material consequences, an established institution is ordinarily well armed to defend itself. Its fortifications include social actors with sunk costs in the institution, who benefit from its outcomes, and who therefore have strong incentives to maintain it. Even when contextual changes undermine the institution's ideational foundations or impede its capacity to deliver optimal outcomes, social actors' risk aversion may still leave them loathe to abandon a familiar institution.

Still, an institution's resilience cannot be taken for granted when contextual changes throw up challengers equipped with their own political allies and resources. How institutions fight back when under attack and the factors that affect their success has been the subject of inquiry here. While the lessons drawn from this single case study are inevitably limited, the analyses do suggest some general conclusions. First, institutional change/resilience is best examined as a function of both structure and agency: the former entailing the feedback effects of an institution as well as the political and economic setting; the latter referring to the choices and ideas of actors (Hay 2002: 94-95). While structural factors shape the behaviour of political actors, actors also shape understandings of the context through their strategies and discourse. These interactive effects between structure and agency make it difficult to predict the outcome of an institutional challenge. Second, the impact of discourse on institutional resilience/change appears to be a function of how well it fits with social actors' understandings of the *raison d'être* of the institution. Discursive strategies based on legitimation criteria may fail to resonate when institutions are supported because of their promotion of utilitarian or functionalist goals. This observation runs counter to the attention given to the role of normative arguments as a force for continuity/change in social welfare institutions. The argument that institutions may be undermined by claims as to their normative inappropriateness may be less compelling for institutions designed to promote economic and commercial goals. This proposition, like the role of discourse more generally in institutional change and resilience, warrants further empirical inquiry. And finally, the distinction between institutional resilience and institutional transformation, albeit theoretically possible, is empirically difficult. Here the two phenomena have been distinguished in terms of whether changes leave the institution's core principles intact (resilience) or whether they abandon or undermine them (transformation). In situations where some core principles have been retained but others appear to have been jeopardized, has one witnessed resilience or transformation?²⁶ The answer will not be clear for some time.

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Endnotes

1. The description is that of the Chief Commissioner of the Canadian Wheat Board, Lorne Hehn (1997).
2. The Minister responsible for the changes, Ralph Goodale (1998), described the process which led to the transformation of the Wheat Board as 'probably the most exhaustive in the history of the western grains industry. Countless meetings, hearings, seminars, surveys, focus groups, questionnaires, votes, pamphlets, petitions, faxes, e-mails, Internet messages, personal and public letters and good old fashioned phone calls. More people had more opportunity to participate in this very public and transparent process than ever before, and literally thousands did so.'
3. Mahoney (2000: 513) defines a contingent event as "an occurrence that was not expected to take place, given certain theoretical understandings of how causal processes work."
4. Hall and Taylor (1996: 39) distinguish between a calculus approach and a cultural approach, whereby the former refers to behaviour that is based on purely instrumental calculation and the latter to behaviour based on an interpretation of the situation. A logic of appropriateness is akin to the cultural approach.
5. The preferred methodology for demonstrating the independent impact of discourse on policy and paradigm transformation is a comparative case study that is able to rule out other explanatory factors in accounting for policy initiatives that ran contrary to electoral majority's preferences, deeply held values, or long standing practices. For examples, see Cox 2001 and Schmidt 2001, 2002.
6. This historical overview is informed by Fowke (1957), Wilson (1978), and Morriss (1987).
7. The word 'expedient' was used by Prime Minister Bennett when he introduced the bill to establish the Wheat Board in the House of Commons in 1935. See House of Commons, *Hansard*, June 10, 1935, p. 3458.
8. The Alberta government also launched a legal challenge to the Board in 1996. It proved futile.
9. The Western Grain Marketing Panel held 15 town hall meetings and 13 days of formal public hearings, and received 150 oral and written submissions (Ewins 1996a).
10. The three authors of the report were professors Daryl Kraft (Manitoba), Hartley Furtan (Saskatchewan) and Ed Tyrchniewicz (Alberta).
11. Fulton's analyses are reported in 'Pooling, cash market can't co-exist: expert,' *The Western Producer*, April 11, 1996: 5.
12. This theme was a constant one of Farmers for Justice, the Western Wheat Growers Association, and the Western Barley Growers Association. The president of a private grain

company, the United Grain Growers, also said the only relevant issues for him were whether people should have the right to market as they choose. See Ewins (1996a: 5).

13. Ewins (1995: 10) quoting University of Manitoba professor, Al Loyns, one of the authors of the Alberta-commissioned study.

14. The Panel recommended the Board retain its export monopoly over malting barley, most of which, like wheat, is exported. Three-quarters of feed barley is used domestically.

15. It ran a full page ad in *The Western Producer* explaining why dual marketing would destroy the Board, and included a form for farmers to fill in and return to the provincial agriculture minister.

16. Later Goodale chastised the Saskatchewan Wheat Pool for not being a more vocal supporter of the Canadian Wheat Board. See Ewins (1996b).

17. The five University of Saskatchewan professors were Ken Rosaasen, Gary Storey, Murray Fulton, Richard Gray and Jim Vercammen. The authors of the report, who had access to confidential Wheat Board sales data, said the Wheat Board had no control over the study.

18. The Government of Alberta, the Alberta Barley Commission, the United Grain Growers and Cargill were among the most prominent of those who did not play an active role in the anti-Wheat Board campaign. Farmers for Justice and the Western Canadian Wheat Growers Association continued to be actively engaged. See White (1997: 43).

19. The four agricultural economists were Richard Gray, Troy Schmitz, Andy Schmitz, and Gary Storey.

20. The Wheat Board's monopoly over domestic feed barley sales terminated in 1974.

21. In the future the Wheat Board's mandate may be adjusted if the following conditions are met: first, a clear recommendation to that effect by the directors of the Canadian Wheat Board; second, if a quality control issue is involved, the unequivocal concurrence of the Canadian Grain Commission that a change can be made safely without damaging Canada's reputation for quality and consistency; and third, if the proposed change is significant or fundamental, then an affirmative vote among farmers would need to be a prerequisite.

22. The dissolution of the 35th parliament for the June 1977 election necessitated the re-introduction of the legislation in the 36th Parliament in a slightly amended form. The final bill received approval in June 1998.

23. Besides farmers, Canadian companies that buy wheat and barley--millers, bakers, maltsters, and brewers--also speak highly of the Wheat Board, saying it helps them manage risks and assures them of supply.

24. In introducing amendments to the Canadian Wheat Board Act, Goodale (1996a) said there was 'a tremendous body of academic opinion...to support the approach and the ideas' he was advancing.

25. A poll of Saskatchewan farmers released in January 1996 showed that more than half of the farmers surveyed said participation in the Board should be voluntary. Only 43% agreed the Board gets the highest prices for producers while 47 % disagreed and 10% were unsure.(Anonymous 1996: 3). In the plebiscite a year later, after economists' studies had been released showing the net gains that accrued to prairie farmers as a result of the Wheat Board, a majority of Saskatchewan farmers supported the single-desk option. A causal link between the economists' arguments and Saskatchewan farmers' voting behaviour cannot, however, be drawn.

26. Two elections of Wheat Board directors have produced a clear majority in favour of single-desk selling. At the same time, the Alberta government continues its campaign for a dual market for barley produced in the province.