'Feed Pepin to the Crow'

Higher shipping costs will wipe out already weakened grain producers. Is that Ottawa's intent?

At a time when grain production for export should at least double to feed an increasingly hungry world, the Trudeau government, in cahoots with the railway companies, is planning to cut grain production for export by raising the farmers' shipping costs. By abolishing the traditional low railway rates known as the Crow's Nest, Transport Minister Jean-Luc Pepin will not only raise the domestic price of grain but simultaneously increase their costs, contracting their markets, income, and investment.

The Crow's Nest rate is an 85-year-old agreement between railroads and grain producers which established statutory freight rates for grain shipped across Canada to export terminals. The 1897 rate agreement stipulates "equal rate for equal distance": a farmer anywhere on the prairie will pay the same rate as another farmer living the same number of miles from the port to which his grain is shipped.

The low rate was maintained to build up Thunder Bay as a Canadian shipping center and prevent north-south commerce with the United States, as part of the British Crown's effort to limit economic relations between the two countries. Canada's railroads are not otherwise known for their philanthropic impulses.

Saskatchewan Premier Allan Blakeney charges that if the Crow's Nest is abolished, grain farmers will be made to subsidize coal transport.

But this is not a question of railroads' incomes, either. It appears to be a strategic decision to phase out Canada's role as a grain producer and concentrate on raw-materials manipulation. Prof. Alan Aboucher of the University of Toronto coyly wrote last spring in the *Toronto Globe and Mail:* "If it is true that high grain transportation costs cannot be repaid by the world's grain importers, perhaps we should contemplate a retrenchment from grain production or shift to other activities which are more efficient from a national point of view."

The already burdened grain growers who may end up paying "13 times the current rate by 1990," according to Saskatchewan Agriculture Minister Gordon MacMurchy. "That would mean an average freight rate for Saskatchewan, which produces 60 percent of the nation's grain, of $1.62 a bushel by 1990. The bill for the movement of prairie grain would jump to $2.6 billion," he said. On July 15, Saskatchewan MP Victor Althouse leaked a memo which Pepin submitted to the federal cabinet last January proposing that Ottawa pay as little as possible while forcing each farmer to pay an average $2,000 more every year. The secret memorandum specifies that in this whole affair, Ottawa "must be seen to be taking the initiative," and it "should emphasize its desire for a 'made-in-Western Canada' solution," adding that "provinces [should] not participate directly in the formal negotiations." The memo then concludes that Ottawa should provide the railroads with no more than $600 million a year in running costs while the farmers fund the rest "as well as all future cost increases."

The Western provinces, Manitoba, Saskatchewan, and Alberta, have reacted with outrage. Some protest signs read "Feed Pepin to the Crow" (*pepin* is French for seed). According to Blakeney, "If the railways no longer have to respect the principle of equal rates for equal distance, [they] can decide which county elevators will go, which branch lines will stay, which towns will live or die."

Saskatchewan, which produces 60 percent of Canada's export grain, will be hit hardest. Arvin Bunker, an agriculture economist for the U.S. Department of Agriculture, says that not only will the new policy "increase the price of wheat in Canada, but it will also decrease production and discourage purchases."

In an interview with the *Globe and Mail,* David Kirk, executive secretary of the Canadian Federation of Agriculture, said that high interest rates are already hitting especially young farmers who use advanced technology. High freight costs could push them over the edge.

Figures from the Department of Consumer and Corporate Affairs show that Canadian farm bankruptcies have increased by 60 percent over the first half of 1981. Kirk concluded that unless farmers across Canada get $1 billion available to them at a 10 percent interest rate, the whole sector will go.