For Immediate Release
Wednesday April 30, 2003

Western Canadian Wheat Growers Association

MEDIA RELEASE

Grain Growers of Canada Letter to Minister Vanclief

Dear Minister Vanclief:

It is with significant disappointment that the Grain Growers of Canada (GGC) read the third party review of the proposed business risk management systems, conducted by the George Morris Centre and IBM Business Consulting Services (Consultants).

Many farmers will simply view the Consultants' report as a public relations exercise designed to sidetrack a discussion of farmers' concerns rather then adequately address them. Frankly, this may serve to widen the gap between farm leaders and governments instead of narrowing it. We draw your attention to the fact that the GGC raised this danger in an April 21, 2003 submission to your office.

Our letter of April 21 outlined five key areas not addressed by the current proposals that must be resolved if the new business risk management pillar is to meet the needs of Canada's grains and oilseed farmers:

1. A mechanism to address the impact of foreign interference must be introduced;
2. Regional flexibility must be maintained;
3. The program must be proven to effectively address stabilization and disaster mitigation risks for grains and oilseed farmers;
4. Affordability concerns of grains and oilseed farmers must be addressed; and
5. Concerns regarding the trade implications of the new programs must be resolved before implementation.

Minister, not one of these five key items have been adequately examined by the Consultants. Because of this our real and significant reservations with the proposals have not been alleviated. The remainder of this submission will briefly outline some of the reasons why this is the case.

First, the Consultants themselves fully acknowledge that the proposed programs do nothing to address the impact of foreign subsidies and market interference on the grains and oilseed sector. As we outlined in our letter of April 21, a means of addressing this issue must be discussed before grains and oilseed producers can endorse the new business risk management proposals.

The Consultants' suggestion that grains and oilseed farmers should produce commodities that are not negatively impacted by foreign governments will be met with more than a little cynicism, given the fact that virtually all of our markets are severely distorted.

The Consultants discussion of regional flexibility provides another example of how the needs of grains and oilseed farmers are not being addressed in this process.

We have explained for many months why provincial companion programs, which allow the flexibility to address the very different risks faced by farmers in different regions of the county, should not be abandoned.

It is therefore with some incredulity that we read the Consultants observation that the removal of companion programs and the elimination of regional and sectorial flexibility renders the proposed programs more desirable than the existing safety net.

We are certain that that the Consultants will state that they were only following the terms of reference given to them by the Federal Government. While this may be a factual observation, it underscores the dangers of using terms of reference that have been designed to uphold a certain point of view, rather than examine legitimate concerns brought forward by farmers.

We reiterate that the elimination of companion programs will make the new business risk management pillar less effective in dealing with producers' risks in each region of the country. This cannot be viewed as equitable or desirable.

A similar problem exists in the Consultants examination of farmers' concern regarding the affordability of the new programs. The Consultants acknowledged this issue, but then dismissed it out of hand, stating that the requirement for a 1/3 deposit in the first year of the program will adequately deal with this matter. The Consultants are wrong.

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The proposal for only requiring 1/3 of the minimum deposit in the first year is helpful. However, this does not address the longer-term impact of removing over $3 billion in after tax money from the farm economy (this figure is what would be required to achieve full coverage for current NISA account holders). Nor does this proposal address the problems many farmers will face because they cannot afford to hold over 25% of their margin on permanent deposit with the Federal Government.

As we have stated on numerous occasions, no program, no matter how good it looks on paper, will be effective if farmers cannot afford to participate. The Consultants' report does nothing to alleviate this concern.

We note that the required deposit is over $1 billion above the amount currently held in farmers' portion of NISA accounts.

In our April 21 letter we outlined our serious concern that the proposed programs will threaten the effectiveness of the crop insurance program. We note that the Consultants acknowledge this issue, but did not explore it in any detail. Governments must examine the linkages between crop insurance and new NISA in much greater depth before the new programs are put in place.

This brings me to the key area of the trade implications of the proposed programs. The GGC has repeatedly outlined our belief that the new programs will not fit within the definitions of "green" outlined by the WTO. This fact has serious implications for the ability of governments to fund these programs in the future. Furthermore, this will make the new programs much more susceptible to US trade actions.

We have also outlined our immediate concerns that the new programs will be vulnerable to rapid countervail action by groups in the United States who want to deny Canadian farmers access to US markets. We must continue to ask the question "why are we proceeding with programs that are likely much more susceptible to US countervail action than our existing suite of programs?"

These trade questions alone provide adequate justification to put the implementation of the proposed business risk management programs on hold. We continue to await a written response from Agriculture and Agri-Food Canada that will address these concerns.

This response should give assurances that the actual financial conditions of the last five years have been modeled as if the proposed programs were in place to ensure that disproportionate assistance would not have been delivered to any one sector. As you are aware, disproportionate delivery of government funds is a key condition in US countervail action.

Our submission of April 21 outlined the key requirements for the grains and oilseed sector, as well as the reasons we believe these requirements will not be met by the proposed programs. This belief has not been altered by the third party review.

In closing we note, as we did in our letter of April 21, that the uncertainly surrounding the safety net programs for the 2003 crop needs to be addressed. The Grain Growers of Canada therefore reiterate our request for a commitment that if farmers' concerns cannot be resolved you will extend funding for the existing NISA, crop insurance, CFIP, and companion programs to cover the 2003 crop.

I trust that you find this helpful. Please do not hesitate to contact me if you have any comments or questions.

Sincerely,
Ken Bee, President

Original Signed By
Grain Growers of Canada

cc Members of the House of Commons Standing Committee on Agriculture and Agri-Food
Provincial Ministers of Agriculture
Bob Friesen, Chair, National Safety Net Advisory Committee
Deputy Ministers of Agriculture

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