



For Immediate Release

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Wheat Growers Support Changes to the Canada Grain Act

The Western Canadian Wheat Growers Association supports legislation tabled in the House of Commons last week that makes some positive amendments to the Canada Grain Act and the functions of the Canadian Grain Commission (CGC).

“The changes will lower costs to farmers and will lead to a more competitive, market-responsive grain handling system,” says Cherilyn Jolly-Nagel, President of the Wheat Growers.

One of the key changes is the elimination of the requirement for licensed grain companies to post security to cover liabilities to farmers.

“While the security program has covered payment defaults to farmers in specific cases, we believe there are far more cost-effective ways to provide farmers with payment protection,” says Mike Bast, Chair of the Wheat Growers.

The Wheat Growers have been working with the Western Barley Growers Association on the development of AgClearing, a clearinghouse mechanism where payment to farmers would be secured on a transaction-by-transaction basis. This risk management vehicle will better secure contract execution by farmers and grain buyers, thereby allowing both parties to enter into cash and forward contracts with greater confidence.

One advantage of the new model is that it would provide a mechanism to secure payment on shipments to unlicensed facilities including feedgrain buyers and biofuel plants. Approximately 25% of western grain is now delivered into marketing channels where there is no CGC payment security.

Another major component of the Bill is the elimination of mandatory inward weighing and inspection of grain shipments.

“Again, this provision will lower costs to farmers,” says Jolly-Nagel. “It will eliminate the cost of weighing and grading in places where it adds no value, and yet gives all players an opportunity to obtain this service where it makes business sense to do so.”

While the Wheat Growers are generally supportive of the Bill, the Association will be looking to strengthen the legislation, by proposing changes that would modernize the governance structure of the CGC along the lines of the Canadian Food Inspection Agency, in a way that establishes clear lines of authority and responsibility.

For further comment, please contact:

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Backgrounder

CGC payment security provisions

- Currently all companies that buy grain from farmers (except feedgrain buyers, seed companies and biofuel plants) are required to be licensed and post a bond or other security to cover outstanding payments to farmers.
- Bonding and security costs for companies vary widely and act as a barrier to new entrants. Administrative reporting requirements and CGC audits can also be burdensome.
- Information provided by the Canadian Grain Commission (CGC) indicates that a total of \$12.4 million has been paid to farmers over the past 25 years to cover losses where companies have defaulted on payments. Of this amount, \$9.3 million was covered by security and \$3.1 million was funded by the federal government in cases where no bond was in place.
- Various industry sources have suggested the annual cost of posting security and administering the program is approximately \$5 million annually, a cost that is ultimately borne by farmers.
- In recent years, there have been cases where the bond posted by licensed companies has not covered amounts owed to farmers, including one case where farmers received only 17 cents on the dollar. A CGC bond has proven to be no guarantee of payment.
- While the payment security provisions will be eliminated, the CGC will still require all grain companies to be licensed, and subject to inspections.

Inspection and Weighing Services

- Official CGC weighing and inspection costs farmers about \$0.38 per tonne on wheat shipments. Inspection fees from private service providers are expected to be at or below existing CGC levels, with greater service flexibility provided.
- Under the current rules, grain companies shipping canola and other non-board grains to their own port facilities are required to have those shipments officially weighed and inspected by CGC inspectors. This service adds very little if any value, given that farmers have already settled with the grain company with respect to the tonnage amount and grade delivered.
- In the case of shipments of Canadian Wheat Board grain, the CWB will have the authority to request third party grading and weighing at unload. Producer car shippers and shippers of non-board grain to facilities owned by other companies will also retain the ability to request third party grading and weighing at unload.
- In all cases, parties will retain the ability to seek final arbitration from the CGC.
- Farmers will continue to have the ability to have their grain deliveries officially graded by the Canadian Grain Commission, in cases where they do not agree with grading assessments by grain companies or processing facilities.

Improving grain quality

- The Bill also introduces penalties for farmers and grain companies who “knowingly” make false statements on any declarations that the CGC may require. While the vast majority of farmers and merchants are upright in their business dealings, this provision will help to prevent the unscrupulous actions of a few from imposing liabilities on others.
- The Wheat Growers had been concerned that penalties might be imposed on farmers who accidentally mix grain of different types, or who have small quantities of admixtures in their deliveries, whether it is on account of deficient seed purity, volunteer grain, equipment or other sources.