



Canadian Grain
Commission

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CGC producer protection and canary seed

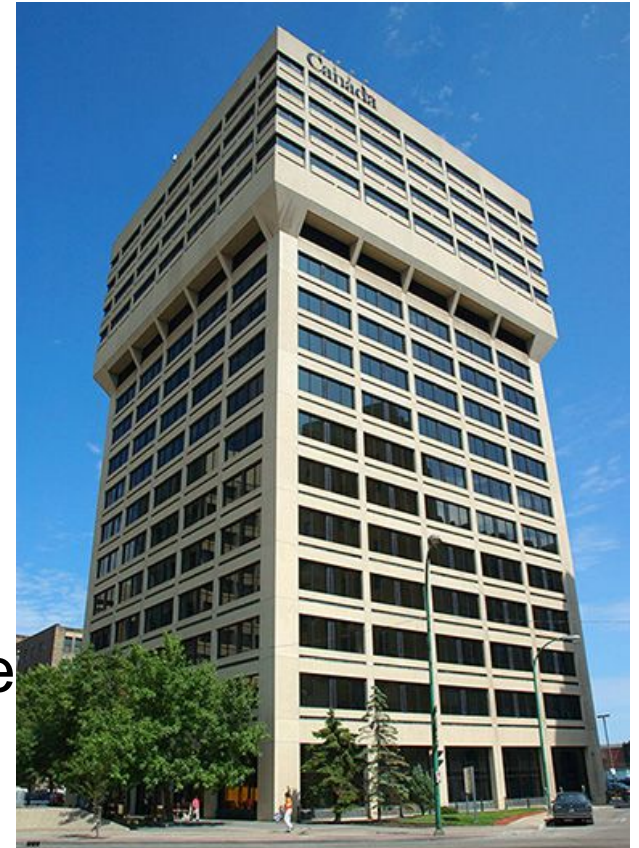
Patti Miller, Chief Commissioner and Deputy Head

Canadian Grain Commission



Who we are

- Federal government agency
- Authority
 - Government of Canada
 - Canada Grain Act
 - Canada Grain Regulations
- Reports to the Minister of Agriculture and Agri-Food Canada
- Headquartered in Winnipeg, Manitoba



Safeguards for Grain Farmers



The Canadian Grain Commission regulates grain handling to ensure that Canadian producers receive fair compensation when they deliver grain to licensed grain companies.

- Offers payment protection to producers who deliver grain to CGC licensed facilities
- Provides grade information to producers prior to delivery
- Provides a binding determination of grade and dockage when there is a grade or dockage dispute
- Allocates available producer cars for producers who wish to ship their own grain

Safeguards for Grain Farmers



Licensing and Security Program

- Licensed grain companies must provide security to the CGC to cover money owed to producers for grain deliveries
- When a licensed company fails to pay, we use the company's security to pay eligible producers
- Failure to pay could involve any of the following:
 - the company asks producer to delay cashing its cheque
 - the company refuses to issue a cheque
 - the company's cheque bounces

Recent events



- Because canary seed isn't one of our eligible grains, canary seed growers are not eligible for security through the CGC
- The ILTA Grain Inc failure left 44 canary seed growers in a situation where they were not paid for deliveries
- As a result, many canary seed producers face significant financial hardship due to this situation
 - We estimate canary seed producer losses of over \$2 million for unpaid deliveries to ILTA
- Has resulted in renewed discussion of whether canary seed should be regulated under the Act

Previous consultations

Stakeholder consultations



- In 2002, two licensed grain dealers went into receivership owing money for canary seed; this generated interest in designating canary seed as a grain under the Act
 - CGC held consultations with sector in 2002 and 2005
- Designating canary seed as a grain would subject it to the whole of the Act and the Canada Grain Regulations
 - The CGC does not have the authority to selectively designate a commodity as a grain for some purposes of the Act, but not for others
- At the time, based on stakeholder feedback, the decision was made that canary seed should not be designated as a grain under the Act



Concerns raised during previous consultations

- Change would require official grades be established
- Security requirements would reduce competition, due to added costs for buyers
- The cyclical nature and price changes in the canary seed market would impact the ability of small companies to obtain security
- Additional costs incurred by grain facilities would be passed on to producers, outweighing potential benefits

Licensing

Becoming a licensed grain company



- Companies that deal in or handle grain in western Canada must be licensed
 - The CGC may issue an exemption if certain conditions are met
- Four types of licences: grain dealers, primary elevators, process elevators and terminal elevators
- Licensees must comply with certain operational and reporting requirements

Licensing and security



- As a condition of licensing, all licensees must tender security to the CGC to cover their liabilities to producers
- Security can be in form of bond, letter of credit, or payables insurance
- The amount of security required is based the company's monthly report of outstanding liabilities to producers and the forecast of their annual grain purchases from producers, so security can vary over time
- Security is used to compensate producers if the company fails to pay for grain deliveries

Costs



- In 2019-20, the cost of a full-term licence is \$281.74 per licence, per month (\$3380.88 per year)
 - Security costs are above and beyond the licensing fee
- The costs of security vary depending on a variety of factors, including the grain company's financial situation and how the security provider assesses risk
- The company's costs may increase due to licensing and security, reporting obligations, and costs of mandatory official inspection and weighing
- May decrease availability of operating capital
- Producer returns may decrease if grain companies pass back the additional costs of security to producers

Grading

Grading canary seed



If canary seed were designated as a grain

- Canary seed would be added to the Official Grain Grading Guide, including
 - Grade schedules
 - Procedures for assessing dockage, including sieves
- Disagreements on grade could be referred to the CGC for decision
 - This is a right under the CGA at the time of delivery to a primary elevator
 - A CGC inspector will make the final assessment of your grain's grade and dockage

Grade standards and specifications



- Standards and specifications for grades are based on
 - The latest grain science
 - Careful study and review
 - Recommendations from the Eastern and Western Standards Committees
- Changes to the grading system must reflect the interests and concerns of all parts of the value chain
- Regulating canary seed would not preclude trade based on specifications unique to specific buyers

Grading canary seed



Mock grade schedule from 2005 consultation

Grade name	Fireburnt %	Heated and binburnt %	Total Foreign Material				Broken Kernels %	Hulled Seed %
			Inert material %	Ergot %	Excreta %	Total Foreign Material %		
Canada Canary Seed	Nil	1.0	1.0	0.05	0.02	5.0	0.0	
Grade, if Canary Seed specs not met	Canary Seed, Sample Canada Account Fireburnt Kernels	Canary Seed, Sample Canada Account Heated	Canary Seed, Sample Canada Account Inert Material	Canary Seed, Sample Canada Account Ergot	Canary Seed, Sample Canada Account Excreta	Canary Seed, Sample Canada Foreign Material	Canary Seed, Sample Canada Account Broken Kernels	Canary Seed, Sample Canada Account Hulled Seed

Making a change

How are changes made?



- Any regulatory involvement in the canary seed industry by the CGC would require amendments to the Canada Grain Regulations
 - There is an established government process to make changes to regulations
 - Would include public stakeholder consultation

Considerations



Prior to regulatory change

- The following factors should be considered:
 - Overall production
 - Size of the market
 - Risks of non-payment to farmers
 - Maintaining Canada's grain quality assurance system
 - Whether or not there is other regulation in place
 - How CGC regulation may assist in the marketplace

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