



April 24th, 2017

User Fees Comments

Canadian Grain Commission

600-303 Main Street

Winnipeg, MB R3C 3G8

To whom it may concern,

The Alberta Wheat Commission (AWC), Saskatchewan Wheat Development Commission (SWDC) and Manitoba Wheat and Barley Growers Association (MWBGA) represent over 50 thousand wheat growers in Western Canada and the majority of wheat farmers in Canada. The profitability of wheat producers across Western Canada will be directly impacted by the user fees set by the CGC as these fees are ultimately passed from grain companies to producers as a part of the costs they face to export their commodities. Therefore, we are supportive of the proposed changes to the CGC user fee structure that will reduce the potential of the surplus continuing to build and prevent overcharging of farmers for services.

Our organizations value the opportunity to provide feedback regarding the proposed changes in user fees for the 2018-2023 period. We agree with the principles outlined in Section 5.4 for setting user fees, however we have concerns that the values used to calculate the new fees are not representative of the industry.

Regarding the change to the CGC's grain forecasting methodology, we support the decision to update the analysis used to forecast grain volumes; however, we feel that the model used does not accurately forecast expected grain volumes. The forecasted volumes reported by the CGC are held constant throughout the entire 2018-2023 period. We view this as an unrealistic prediction. Research conducted by Richard Gray & Mohammed Torshizi (University of Saskatchewan), identified that production of Western Canadian grains has an upward trend of approximately 450,000 tonnes a year.¹ Their research also showed increasing probabilities that annual production would be above Canada's 64.75 MMT of export capacity. Our organizations believe that the forecasting methodology used by the CGC should be adjusted to reflect increases in both production and export levels which would serve as a more accurate model for determining user fees. We acknowledge that it is impossible to be completely accurate in predicting production levels due to weather and other elements; however, a very clear increasing production trend can be seen in the industry and needs to be accounted for. In addition to the increasing production in western Canada, the export capacity for Canada should be increasing due to

¹ Gray, R., Torshizi, M. 2016. An Economic Analysis of Western Canadian Grain Export Capacity. .



recent investments in west coast capacity and further increased if announced investments in west coast terminal capacity are realized – some of these announced investments are presently under construction. If predicted grain volumes are held constant, the CGC could be dealing with another surplus of user fees.

Our organizations support the decision of the CGC to move to a formula-based fee structure to replace the existing fixed-fee structure. However, the CGC needs to clearly outline when this transition will take place and the process for determining the formulas. The consultation document is silent on these issues. Furthermore, we would ask the CGC for transparency, predictability, and consultation with affected stakeholders when the process of determining the formulas is underway.

Our organizations also recognize the proposed amendments to the Canada Grain Regulations put forward by the CGC in the April 22 edition of the *Canada Gazette* to reduce user fees for the remainder of the 2017/2018 crop year starting August 1, 2017. We acknowledge the need to prevent the current surplus of user fees from growing to even higher levels; however, none of our organizations were consulted regarding this proposed reduction. We feel that the CGC should have held formal consultations with all stakeholders on this issue.

Finally, we would like to acknowledge the current consultation regarding the potential use of the accumulated surplus. We want to emphasize that any proposed initiatives to use the surplus that will have a direct and significant impact on the cost structure of the CGC should not be put in place without consulting industry stakeholders first. Our organizations are looking for the best solution to return the surplus back to the producers who funded it, without significantly driving up costs in the industry.

Sincerely,

Kevin Auch

Chair

Alberta Wheat Commission

Bill Gehl

Chair

Saskatchewan Wheat Commission

Fred Greig

Chair

Manitoba Wheat & Barley Growers Association