



Saskatchewan Wheat Development
Commission Response to the *Canada Grain
Act Review*

April 26, 2021

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Introduction

The Saskatchewan Wheat Development Commission (Sask Wheat) welcomes the opportunity to provide feedback to Agriculture and Agri-Food Canada (AAFC) on the review of the *Canada Grain Act* (CGA) and operations of the Canadian Grain Commission (CGC). Sask Wheat is supportive of reviewing the CGA as a comprehensive review of the Act has not been completed in 50 years. However, it is crucial for thorough analysis to be completed, including benefit-cost analysis, as part of the review¹ and for further consultations to occur once this analysis is completed and prior to recommendations being brought forward for consideration.

As Saskatchewan represents nearly 40 percent of Canada's total crop production,² 47 percent of Canada's total field crop area,³ 54 percent of the value of Canadian grain exports,⁴ and almost 50 percent of all licensed primary and process elevator storage capacity,⁵ Sask Wheat believes it is vital that the voice of Saskatchewan producers is heard and represented during this review of the CGA and the CGC.

Maintaining the strength of Canada's quality assurance system and the Canadian brand is an important focus for Sask Wheat during this review. Canada's quality assurance system and the Canadian brand are highly regarded by international customers and help to support the competitive position of Saskatchewan farmers. Any negative impact to our quality assurance system or the Canadian brand would ultimately hurt farmers the most. Therefore, it is imperative for further analysis to be completed by AAFC and the CGC, including economic analysis followed by additional consultation, to ensure that any proposed changes that arise from the review do not harm Canada's quality assurance system, the Canadian brand, or the competitive position of Canadian farmers.

In preparation for the CGA review, Sask Wheat contracted a report to review areas of potential discussion regarding the CGA and the operations of the CGC and the current interactions with Saskatchewan grain producers' activities and economics and to identify potential impacts of changes. Sask Wheat also contracted a report on data requirements to increase transparency in the Canadian grain marketing system and potential involvement of the CGC in provision of enhanced market information. Both reports are available on Sask Wheat's website (www.saskwheat.ca) and are included in Appendix A and Appendix B to this submission.

There are many areas and issues that fall under the scope of this review that are important to farmers. Sask Wheat has highlighted what we consider to be the most pressing areas to address within our support for a comprehensive review.

¹ Cabinet Directive on Regulation. Treasury Board of Canada Secretariat, 2018: 5.2 Regulatory Impact Analysis and 5.2.1 Analysis of Benefits and Costs. <https://www.canada.ca/en/government/system/laws/developing-improving-federal-regulations/requirements-developing-managing-reviewing-regulations/guidelines-tools/cabinet-directive-regulation.html>

² Statistics Canada and Agriculture and Agri-Food Canada, 2021. G002-Area, Yield, Production of Canadian Principal Field Crops. <https://aimis-simia.agr.gc.ca/rp/index-eng.cfm?action=pR&pdctc=&r=243>

³ Statistics Canada, 2017. Farm and Farm Operator Data- Saskatchewan remains the breadbasket of Canada. <https://www150.statcan.gc.ca/n1/pub/95-640-x/2016001/article/14807-eng.htm>

⁴ Saskatchewan Ministry of Agriculture, 2021. Personal Correspondence.

⁵ Canadian Grain Commission, 2021. Grain Elevators in Canada- Crop Year 2020-2021.

<https://www.grainscanada.gc.ca/en/grain-research/statistics/grain-elevators/reports/pdf/2021-02-01.pdf>

CGC Mandate & Governance

The CGC's mandate as legislated in the CGA is to "in the interests of the grain producers, establish and maintain standards of quality for Canadian grain and regulate grain handling in Canada, to ensure a dependable commodity for domestic and export markets." Sask Wheat believes that it is vital that the CGC's mandate continues to be to work "in the interests of the grain producers," that the CGA and Canada Grain Regulations are applied according to this mandate, and that the functions, activities, and initiatives of the CGC reflect this mandate at all times. The CGC's mandate signals the original purpose of the CGA and CGC which was to protect the interests of farmers in Canada's grain industry. This remains as relevant and essential today as it was when originally legislated. Now, as then, grain producers largely produce and market grain in a system that has many sellers and few buyers, compounded by transportation constraints and information asymmetry and, thus, have little market power compared to other sectors in the grain value chain.

The CGC mandate focusing on the interests of producers should serve as a guiding principle for this review process and for future reforms. Producers have distinct interests in all areas of CGC programs and services, including inspections and quality assurance for export markets. They also ultimately bear the cost of user-fees and licensing in the prices that they receive for their grain.

For producers, there is a continuing need for regulatory oversight in areas including, but not restricted to, weights and grading, payment protection, dispute resolution and access to transportation. The CGA review is an important opportunity to update and strengthen programs in these areas. Legislative changes to remove or diminish the explicit reference to operating in the interests of producers would undermine this opportunity for meaningful legislative renewal.

Furthermore, the governance structure of the CGC needs to ensure that farmers' interests are protected from the parties that are meant to be regulated by the CGA.

Sask Wheat is supportive of the current Commissioner governance model of the CGC with producer representation at the Commissioner level. Although the CGC is mandated to act in the interests of grain producers, it is a reality that grain companies have far more interactions with the CGC at a decision-making level. This makes producer representation at the Commissioner level even more critical, corresponding with the mandate of the CGC set out in the CGA. In addition, this producer representation should come from the prairies, as western Canada accounts for 78 percent of Canada's total crop production,⁶ 86 percent of Canada's total field crop area,⁷ and 99 percent of all licensed primary and process elevator storage capacity.⁸

Sask Wheat also believes the CGC should explore mechanisms to improve communications and outreach with farmers at a regional level. While Commissioners have generally made themselves accessible to producers and farm organizations, farmers at times feel disconnected from CGC decision making, and therefore exploring additional communication models would be beneficial.

⁶ Statistics Canada and Agriculture and Agri-Food Canada, 2021. G002-Area, Yield, Production of Canadian Principal Field Crops. <https://aimis-simia.agr.gc.ca/rp/index-eng.cfm?action=pR&pdctc=&r=243>

⁷ Statistics Canada, 2017. Farm and Farm Operator Data- Saskatchewan remains the breadbasket of Canada. <https://www150.statcan.gc.ca/n1/pub/95-640-x/2016001/article/14807-eng.htm>

⁸ Canadian Grain Commission, 2021. Grain Elevators in Canada- Crop Year 2020-2021. <https://www.grainscanada.gc.ca/en/grain-research/statistics/grain-elevators/reports/pdf/2021-02-01.pdf>

Outward Inspection

As part of protecting the Canadian brand, Sask Wheat is in favour of mandatory outward inspection remaining as a function performed by the CGC. Customer confidence in Canada's quality assurance system is very important to the Canadian brand in world markets. There are many factors that impact a customer's determination of value, but some key factors are reliability, predictability, quality, safety, and regulatory compliance. Canada's quality assurance system is highly regarded, and outward inspection plays a crucial role in supporting this system.

Although the use of third-party inspection has been increasing throughout the grain handling chain including at export vessel loading, this is not an indication that buyers have lost confidence in the CGC. Rather, it is a reflection that grain companies have been pushing for this option on export contracts to lower their own risk. The use of third-party inspection by grain companies began increasing when the CGC moved out of inward inspection in 2012-2013. When the CGC was involved with inward inspection, the terminal operator was guided by the CGC's analysis in making binning decisions to manage quality segregation. Therefore, if there was a difference in the outward inspection result from what the CGC determined on the inward inspection, the terminal operator had the CGC's inward inspection results to help come to a resolution on the outward inspection. When the CGC moved out of inward inspection, it eliminated the ability for that negotiation to occur. Therefore, to lower their operational risk, grain companies began to increasingly use third-party inspections throughout their internal operations, including at vessel loading to settle contracts and began pushing to allow the use of third-parties to provide outward inspection currently mandated as a CGC activity.

While their increasing use of third-party inspection has led the grain companies to advocate for the CGC to move to accrediting third-parties to do the regulated outward inspection, moving to a system of accredited third-party inspection would create significant risks to the Canadian brand. The main risk is that customers would perceive it as a deterioration of the Canadian quality assurance system which would hurt Canada's competitive position. Any such deterioration or perceived deterioration to Canada's quality assurance system and the Canadian brand would ultimately hurt prairie grain producers the most.⁹

Even if moving to accredited third-party outward inspection would reduce costs and lower risk for the grain companies without damaging the Canadian brand, there is no guarantee that farmers would see any financial benefit. Lower costs for grain companies should be directionally positive for export basis¹⁰ levels

⁹ Western Canadian grain producers are at the bottom of the value chain and, because of the global nature of grain markets and the structure of the grain value chain in Canada, are price takers, whether delivering grain for export or for domestic use. Local prairie prices for grain reflect international prices determined by global influences, discounted by the export basis. Any reduction in the global market value of Canadian grain will be reflected in the bids offered by grain companies, lowering the returns to farmers. Likewise, this market structure also allows grain companies to pass additional costs through to farmers as reflected in the export basis. Cost savings in grain handling and transportation, while they should put directionally positive pressure on the export basis in favour of producers, may not actually be reflected in increased local prices, depending on conditions of competition in the grain handling sector, as there is a lack of transparency in the calculation of the export basis.

¹⁰ Export basis can be defined as FOB port position prices minus the primary elevator prices at any given prairie delivery location, and is therefore reflective of transportation costs plus any premiums being captured by terminal grain elevator companies or the railway companies, at any given time (Boersch, Temple, Wilton, 2021. Wheat Market Outlook and Price Report: March 29, 2021.

<https://static1.squarespace.com/static/5c40f31a620b85cf0d073e7b/t/6062184b92c7040c8af01b15/1617041486395/Wheat+Market+Outlook+and+Price+Report+March+%2229-%2721+%281%29.pdf>

for producers; however, there are many factors that impact export basis levels, some not transparent, so this is not a guarantee. Additionally, the CGC would still have overhead and operational costs related directly to maintaining accreditation/oversight of outward inspection. Therefore, the cost savings of moving to accredited third-party inspection are still uncertain. As well, there are customers representing approximately 30% of exports who want to settle only on CGC inspection. Therefore, the CGC would need to maintain some capacity to provide inspection for these customers and to step in if a third-party inspector lost their accreditation. This would further add costs to the system and reduces the potential cost savings of moving to third-party accreditation.

It is also important to understand what Canada's competitors are doing regarding outward inspection. In the United States, the Federal Grain Inspection Service (FGIS) only accredits private inspectors on domestic based business. At export port locations, FGIS provides mandatory grain inspection and weighing services directly at most locations and oversees delegated state-based services to do weighing and inspection in its place in specific locations. While there are differences in processes and procedures between the Canadian and U.S. quality assurance systems, both are highly regarded by international customers. The U.S. is Canada's main competitor. If there is a deterioration, or perceived deterioration, in the attributes addressed by the Canadian system relative to our competitors, or in the processes and reliability of the system, this could impact the perceived relative value and, thus, the economic value of Canadian grain to our customers. If Canada moves to accrediting third-parties for outward inspection and the U.S. continues to only have federal or state-based export inspections, it may create a perceived relative deterioration of the Canadian quality assurance system in the eyes of some customers.

While Sask Wheat is supportive of mandatory outward inspection remaining as a function performed by the CGC, there are improvements that could be made to the current system to improve timeliness of service. For example, if vessels are being loaded on a weekend, documentation should also be issued on the weekend. Ensuring timely services from the CGC is vital to strengthen the functions that support Canada's quality assurance system and the Canadian brand.

CGC Surplus

The CGC's growing surplus is another important area for the CGC to focus on during this review. Sask Wheat believes that any determined uses of the accumulated surplus need to go towards activities that will directly benefit farmers as they are the primary source of CGC fee recovery, despite licensees collecting and remitting fees to the CGC. While there have been calls again during this consultation for the CGC to use some of the surplus to lower its fees, it is unlikely farmers would see any direct benefit from this. The only way farmers would see a benefit from reduced fees would be through improved prices at the primary elevator, and this effect is doubtful as the reduction in fees would likely be absorbed in the export basis, which is a function of many diverse, not all transparent, factors.

Sask Wheat is supportive of the CGC's Surplus Investment Framework announced in 2018 and the enhancements made to the Harvest Sample Program with the addition of DON and Falling Number (FN) analysis for wheat samples. Sask Wheat looks forward to further consultations with the CGC on the development of other initiatives within the Surplus Investment Framework that could benefit Saskatchewan wheat producers directly and Canada's wheat industry. Sask Wheat believes improving market transparency and enhancing oversight on objective grading measures are two important areas where surplus funds should be targeted. Further details are provided on both of these topics later in this submission.

Directly related to the surplus is the CGC’s user fee setting methodology. The profitability of wheat producers in Saskatchewan is 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. During the CGC’s user fee consultations in 2017, Sask Wheat supported the CGC’s proposed changes to the user fee structure to prevent overcharging of farmers for services and, thus, reduce the potential of the surplus continuing to build. Sask Wheat was also supportive of the CGC’s decision to update the model used to forecast grain volumes; however, Sask Wheat felt that the decision to hold forecasted volumes constant throughout the five-year period was unrealistic. The CGC has been using a constant forecasted volume for outward inspection of 34.4 million tonnes of grain annually since 2018. In reality, western Canadian field crop production has increased annually over the past three years and CGC official inspection/weighing average volume has also risen. This has resulted in the continued growth of the surplus.

Table 1: Western Canadian Field Crop Production (MMT)

2018	72.36
2019	75.1
2020	77.75
Average	75.06

Source: Quorum Grain Monitor, 2021. 1A-1 Western Canadian Field Crop Production, Statistics Canada Data. <http://grainmonitor.ca/GMODS/>

Table 2: CGC Official Inspection/Weighing Volumes (MMT)

2018	39.5
2019	38.7
2020	47.5
Average	41.9

Source: Canadian Grain Commission, 2021. Inspection, weighing and certification of export vessels. <https://www.grainscanada.gc.ca/en/about-us/org/initiatives/2021/canada-grain-act/operations/>

Sask Wheat believes that the forecasting methodology used by the CGC should be adjusted to reflect increases in production, export, and official inspection/weighing volumes 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 concert with the increasing production in Western Canada, export capacity can be expected to continue to increase as well due to recent investments in west coast terminal capacity. Without accounting for these increasing trends, farmers will continue to be overcharged and the surplus will continue to grow. We recognize that the CGC user fees are set to be reviewed and updated for the next five-year period starting in 2023 but believe that this review should happen immediately to prevent the surplus from continuing to grow.

Market Transparency

The data the CGC collects from licensees and reports through the Grain Statistics Weekly report and monthly export reports are very valuable to producers and the entire industry. The CGC needs to maintain all current data collection and reporting; however, additional timely export sales data is needed to improve market transparency and returns to farmers.

Sask Wheat has previously called for the CGC and the federal government to undertake initiatives to improve market transparency. During the CGC's surplus consultation in 2017, Sask Wheat recommended that some funds from the surplus could be used to develop initiatives to enhance market transparency. The CGA review is another opportunity to expand the CGC's responsibilities in terms of collection and dissemination of data to improve market transparency.

Improving market transparency is a key issue for farmers. At Sask Wheat's 2021 Annual General Meeting, a resolution was passed calling on Sask Wheat to advocate for the establishment of an export sales reporting program to add valuable knowledge and aid producers in their marketing decisions. The current marketing year, with large increases in the value of primary elevator bids in some crops that were not forecast in publicly available market information, has greatly illustrated the need for improved market transparency and how valuable this would be to farmers and, by extension, the Canadian economy. Without timely available data on export sales, farmers are unable to accurately understand market dynamics and time their sales to improve profits. This puts farmers at a distinct competitive disadvantage to other players in the supply chain who already have much of this information available to them.

Although the CGC does currently report on exports from licensed facilities, this data does not represent current sales that are being made in the market and therefore, farmers are unable to use this data as a gauge for current demand. In comparison, the United States has had an export sales reporting program in place since 1973. The United States Department of Agriculture (USDA) Export Sales Reporting Program monitors U.S. export sales on a daily and weekly basis for 40 commodities. The program not only provides farmers with up-to-date market information, but also provides a public good by acting as an early alert system for any potential impact foreign sales have on U.S. supplies and prices. The USDA Export Sales Reporting Program was created after the "Great Russian Grain Robbery" of 1972 where large Russian purchases of U.S. corn and wheat depleted reserve stocks and caused significant increases in U.S. food prices.

Sask Wheat strongly believes that Canadian farmers need timely access to sales and export data, and that the CGC is best suited to collect and disseminate this data as the CGC is a neutral party which is already privy to much of the information needed. Through the CGA, grain companies should be legislated to report daily and weekly sales over a specified size to the CGC. The CGC could then make this data available on its website like what is already done for the other data series the CGC collects and reports.

As outlined by Mercantile Consulting Venture Ltd. (Mercantile) in Appendix B, commodity selection for export sales reporting should be based on the common "reportable commodities" currently used in the industry, including "wheat and wheat products" and "durum wheat."¹¹

Daily export sales reports would include sales tonnages by destination. Sask Wheat supports the recommendation from Mercantile for the minimum export sales volumes to be 10,000 metric tonnes for grains and oilseeds. The weekly reports would include cumulative sales for the week by commodity and end destination. As Mercantile observes, such reporting would elevate the CGC's data gathering above historical data reporting to current data intelligence.

¹¹ Reportable commodities include wheat and wheat products, durum, rye, oats, corn, canola, soybeans, flaxseed, mustard seed, barley (malting barley and feed barely), pulses (peas, lentils, chickpeas, beans), canaryseed (Mercantile Consulting Venture Inc., 2021. Data Requirements for a Transparent Market. Pg. 14).

It is important to note that this model would not disseminate individual company names related to sales. As the U.S. has been running an export sales reporting program for almost 50 years, with no concerns around confidentiality, there is no reason why a similar export sales reporting program could not be implemented in Canada as well. It is crucial to note that providing farmers access to export sales data will just be putting them on equal footing with the rest of the supply chain, as grain buyers, grain companies and processors already have access to this data.

Furthermore, export sales reporting data would also help the railways set their capacity plans to meet upcoming demand. Using data that represents current demand and upcoming movement requirements would be much more useful than relying on historic data to forecast what demand levels may be. Having more timely sales data would help to prevent transportation shortfalls and backlogs which will further support the returns to farmers, the grain industry, and the Canadian economy.

Beyond export sales reporting, additional data on grain handling costs would also be valuable to producers to understand how closely primary elevator bids are reflecting international prices. Although the CGC publishes maximum tariffs for primary, process, and terminal elevators by company, as noted by Mercantile, these are maximum tariffs and do not reflect actual costs. Sask Wheat requests that the CGC make average handling costs by commodity, both at primary and terminal elevators, accessible to farmers. This would not only help farmers, but also the entire industry, understand the true costs of the system.

Although the CGC's Grain Statistics Weekly report is a very valuable publication, the CGC should re-evaluate the discontinuation of data collection and dissemination that has occurred in recent years and reinstate data series that are valuable to the industry. For example, independent reporting of rail metrics is always of great value to farmers.

The review of the CGA and CGC operations provides a major opportunity to improve market transparency in the Canadian grain industry and put farmers on equal footing with other supply chain participants to allow farmers to make informed decisions and improve their profitability.

Licensing

The CGC's licensing system is very valuable to farmers to provide producer protection services and to manage the quality assurance system. To ensure farmers have access and coverage under the CGC's producer protection services, Sask Wheat is requesting that licensing requirements be extended to include feed mills and container-loading facilities.

Removing the licensing exemption for feed mills has been a long-standing request of many farmers. As there is currently no payment protection for farmers delivering to feed mills, this significantly increases the risk for farmers. Extending licensing requirements and producer payment protection to feed mills would increase farmers' confidence when dealing with feed mills and therefore their willingness to sell to these companies. In addition to producer payment protection, licensing of feed mills would be valuable to farmers to ensure proper maintenance of weighing equipment and provide access to dispute arbitration.

Sask Wheat is also supportive of licensing requirements being extended to container-loading facilities. Wheat shipments via container are continuing to grow, and therefore it is important for farmers to also have access to payment protection and dispute arbitration in this market as well to be safeguarded through CGC equipment and process regulation.

Subject to Inspector's Grade and Dockage

Subject to Inspector's Grade and Dockage (STIGD) is a very important tool for farmers to have in negotiations with grain companies. However, Sask Wheat would like to see several changes made to enhance the usefulness of the program.

One factor that significantly limits the use of STIGD is that it is only available at the time of delivery. This is a challenge, as with the increased use of commercial trucking, many farmers are not present at the time of delivery. Sask Wheat is requesting that the CGC define a specific window for how long a grain company must hold onto a farmer's grain sample that will allow farmers to challenge an elevator's grade after delivery, within that window. This would alleviate the issue of farmers who use commercial trucks not being present to challenge grades at the time of delivery.

Adding non-grade determinants, such as DON and Falling Number (FN), to the STIGD process would also strengthen this tool for farmers. Non-grade determinants have become increasingly important in grain contracts; however, farmers currently have no means to officially challenge the results for these determinants. This creates an information asymmetry problem which benefits the grain company. As Bill C-100, *An Act to implement the Agreement between Canada, the United States of America and the United Mexican States*, amended the CGA to allow for binding determination to be extended to a broader spectrum of quality factors, Sask Wheat encourages the CGC to add DON and FN to STIGD via regulatory amendments.

The availability of STIGD only at primary elevators also limits its effectiveness for farmers. Sask Wheat urges the CGC to expand access to STIGD to include all licensed facilities. It is crucial that farmers have access to this important tool at all main delivery points.

Producer Payment Protection

Sask Wheat believes the CGC's Safeguard for Grain Farmers Program has mostly provided adequate protection for farmers; however, options could be explored to further lower costs of the current system and develop a more robust and sustainable licensing and bonding system. Sask Wheat believes it is crucial to maintain a security system that reflects an individual company's risk profile and activities to keep the system accountable. Previously proposed ideas to reform producer payment protection such as through a producer compensation fund will not meet these requirements. Any design that promotes a pooling of risk among companies will create a situation where less risky firms are subsidizing the riskier behaviour of other licensees and ultimately the commercial consequences of that riskier behaviour. In order to incentivize proper business behaviour, grain companies need to be held individually responsible for their actions and the risks they take.

CGC Oversight on Objective Measurements

Oversight on objective grading measurements, such as moisture and protein, has always been a concern for farmers. The CGA provides broad authority to the CGC concerning facilities, equipment, and processes at primary and process elevators. However, currently the CGC only inspects equipment and audits grading practices at primary elevators when a complaint is received from a farmer, typically flagged through the STIGD process. Expanding the options available for farmers to register a complaint would be beneficial. As discussed before, expanding regional outreach mechanisms could provide a less formal avenue for farmers to register a complaint about objective measurements, equipment, and processes with the CGC.

Furthermore, inspection of scale calibration is a part of the CGC's annual licensing review, but moisture and protein tester inspections are not. The CGC has indicated it currently has the regulatory power to do moisture and protein tester auditing but lacks the operational capacity to do so. Sask Wheat would encourage the CGC to use a portion of the surplus to increase the capacity to conduct onsite inspections and auditing of grading practices and equipment at primary elevators through a random auditing program. Sask Wheat also recommends the CGC explicitly define and explain the scope of its authority and consider exercising such authority that it has regarding oversight on equipment and testing protocols for non-grading factors, such as DON and FN, which have become increasingly important in grain contracts.

Grain Research Lab (GRL)

The crop and technology research completed by the GRL plays an important role in maintaining Canada's quality assurance system and supporting the Canadian brand. The quality and safety assessment work that the GRL does has become even more important in recent years in resolving market access issues that the Canadian grain industry has faced. As protectionism and non-tariff trade barriers continue to rise in international markets, the work the GRL does will continue to be of utmost importance to the grain industry. Therefore, it is crucial to ensure the GRL has adequate funding and infrastructure moving forward. Although the majority of the work completed by the GRL is considered a public good, currently grain research is funded by approximately 50 percent appropriation and 50 percent service fees. Sask Wheat strongly encourages the Federal Government to review the appropriation funding levels for the CGC and GRL to ensure they accurately reflect the benefit to the public. Sask Wheat wishes to emphasize that GRL research always must be informed by economic and market research when considered for implementation in Canada's quality assurance system "in the interests of the grain producers." Thus, adequate funding must include provisions for such research.

Western Grain Standards Committee

The Western Standards Committee performs important functions contributing to the support of Canada's quality assurance system and the Canadian brand within the parameters set out for it in the Canada Grain Act, especially "recommending specifications for grades of grain and selecting and recommending primary standard samples and export standard samples of grain" (CGA 20(1)(a)). With reference to the mandate of the CGC to "in the interests of the grain producers, establish and maintain standards of quality for Canadian grain and regulate grain handling in Canada, to ensure a dependable commodity for domestic and export markets," Sask Wheat supports adjusting the membership of the Western Standards Committee so that "actual producers of western grain" constitute a clear majority of the Committee. The CGA prescribes up to 25 members for the Committee with specific requirements for CGC staff (3), AAFC nominees (2), processors of grain (2), exporters of grain (2), actual producers of western grain (12) and, at the CGC's discretion, additional persons (up to 4). To ensure a producer majority and, further, to ensure that majority when producer vacancies, through no fault of producers, occur in the Committee membership from time to time, mandating a 60% majority of producers in the total membership of the Committee (15 out of 25) seems appropriate. In order to assure this number of producer members without changing the current prescribed make-up of the Committee, the CGC could be empowered to provide for a minimum of three additional producer members within the additional four members it currently has power to appoint (CGA 20(2)(h)).

Conclusion

Sask Wheat appreciates the opportunity to provide feedback to AAFC on the review of the CGA and operations of the CGC. Again, it is important for a thorough analysis, including benefit-cost analysis, to be completed as part of this review and for further consultations to occur once this analysis is completed and

prior to recommendations being brought forward for consideration. Sask Wheat looks forward to such further consultations on this review and would welcome further discussions with AAFC and the CGC at any time.

Appendix A: Saskatchewan Wheat Development Commission Review of
Potential Changes to the Canada Grain Act

October 2020

Author:

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1.0 Introduction and Purpose of Review

The Saskatchewan Wheat Development Commission (SWDC) is a producer led organization established to grow the province's wheat industry. It was established on June 20, 2013 and it administers a mandatory (refundable) check-off used to fund research and market development initiatives that improve wheat varieties, grow their marketability and provide higher value to producers. The SWDC has requested a review of potential changes being considered for the Canada Grain Act and the implications of these changes on the activities and economics of Saskatchewan grain producers. The review encompasses the operations of the Canadian Grain Commission which was created in 1912 as a result of the passing by the Parliament of Canada of the Canada Grain Act.

The Canadian government passed the Canada Grain Act in 1912 in response to farmer lobbying that they needed protection from the unfair practices of interacting with grain traders. In this regard, the Act streamlined existing legislation and regulations concerning grain and grain handling and created the Board of Grain Commissioners for Canada.

The Canadian Grain Commission (CGC) is the organization that regulates grain handling in Canada. It also establishes and maintains science-based standards of quality for Canadian grain. The CGC's research, programs and services help support Canada's reputation as a consistent and reliable source of high-quality grain.

The object of the Canada Grain Act (CGA) is as follows:

Subject to this Act and any directions to the Commission issued from time to time under this Act by the Governor in Council or the Minister, the Commission shall, in the interests of the grain producers, establish and maintain standards of quality for Canadian grain and regulate grain handling in Canada, to ensure a dependable commodity for domestic and export markets.

Consistent with the object of the Act, the CGC works to

- deliver grain quality and quantity assurance programs for exports of Canadian grain,
- carry out scientific research to understand all aspects of grain quality and grain safety,
- establish and maintain Canada's science-based grain grading system, and
- ensure farmers receive fair compensation for their grain.

2.0 Background

Earlier this year, Agriculture Canada released a discussion document to begin the review process. The Executive Summary of the discussion document is reproduced below as it effectively articulates the main issues that are under consideration.

The Canada Grain Act and its associated regulations provide the framework for Canada's grain quality assurance system and establish certain protections for grain farmers. The Canada Grain Act sets out the objectives and functions of the Canadian Grain Commission, which is responsible for regulating grain quality and handling in Canada to ensure a dependable commodity for domestic and export markets. The Canadian Grain Commission delivers programs and services to establish and maintain Canada's science-based grain grading system and provide various safeguards for grain farmers.

The Canada Grain Act and Canadian Grain Commission were established at a time when the Canadian grain sector looked much different than it does today. The way grain is bought, sold, delivered and handled at facilities has changed significantly, as have buyers' demands for grain quality. The Canada Grain Act has not been comprehensively updated in many years, and it is possible that some modernization is required to ensure the system is better aligned with current and future market realities.

The Government of Canada is undertaking a review of the Canada Grain Act and the Canadian Grain Commission. The review process will enable stakeholders to help collectively shape a vision for a world-class grain quality assurance system and producer protection framework that meets the needs of the sector, now and for the future. With this review, the Government of Canada aims to achieve an agile regulatory system that promotes innovation, evolves with the pace of industry change, safeguards grain farmers, enhances Canada's reputation for grain quality, and strengthens international competitiveness. We are open to your views and ideas on what a modernized, science-based regulatory body would look like within this context and what changes could be made to the Canada Grain Act and/or operations of the Canadian Grain Commission to achieve this vision.

To help initiate discussion, we have highlighted several issues that may be of particular interest:

Access to binding determination of grade and dockage

- Binding determination is intended to be an independent dispute resolution mechanism when a producer and buyer disagree on grade or dockage.
 - Are there any gaps between the current system and what is needed?

Producer payment protection

- The program is intended to help ensure producers are protected against a buyer's failure to pay for grain, in a cost-effective manner that fairly allocates risk.
- Can the program be improved to better meet the needs of the sector?

CGC licensing

- The licensing system for elevators and grain dealers is designed as a framework for establishing and maintaining Canada's grain quality assurance system, while also safeguarding producers and enabling data collection.
 - Does the existing licensing approach meet the sector's needs?

Official inspection and weighing:

- The system of inspection, weighing, and certification of grain for export is intended to help ensure there is dependable Canadian grain for domestic and export markets.
- Are there ways the system could better meet the sector's needs?

With the release of the discussions document by Agriculture Canada, interested parties were provided the opportunity to respond with their views and concerns. However, the onset of the COVID 19 pandemic curtailed these activities as it has for most consultative activity. Based on Canada's success in stabilizing the pandemic situation, it is expected that the consultative process will begin to pick up momentum going forward.

3.0 Author's Background

The author has extensive experience as a senior executive responsible for marketing, product development, trading, logistics and risk management activities of the CWB and G3 Canada Ltd. Mr. Weisensel was the Chief Operating Officer of the Canadian Wheat Board (CWB) beginning in 2004 until G3 Canada Ltd. purchased a majority interest in the CWB in July of 2015. With the change in ownership, Mr. Weisensel was appointed to the position of Senior Vice President Trading, Procurement and Risk for G3 Canada Ltd. He held that position until the end of 2017 and since then has been operating as a private consultant. Mr. Weisensel is the Chair of the Board of Directors of Red River Cooperative (RRC). RRC is a large retail cooperative (revenues are approximately \$650 million annually) operating in Winnipeg and area.

In his various roles, Mr. Weisensel had significant contact with the Canadian Grain Commission at virtually all levels of the organization. Prior to 2012, the executives of the CWB and CGC would meet regularly to discuss operational issues as well as the overall direction each organization was taking. In his role at G3 Canada, Mr. Weisensel engaged with the CGC on operational issues important to G3 Canada Ltd.

4.0 Overview of Grain Company Operations and the Role of the CGC

4.1 Sales Planning

Grain sales are typically made for delivery positions 1 month to 6 months forward. As a result, all grain companies spend considerable effort on sales planning to ensure that they have a good handle on the following:

- The grains and grades they expect to be able to originate from their primary elevator systems to execute forward sales they have made and plan to make.
- The logistical capacity they believe they can secure so that they do not sell more volume than they can effectively deliver to port position in a specific time period.
- The anticipated customer demand for forward shipping positions that includes expected quantities and qualities that their customers require for various forward shipping positions.

- An assessment of the competitive environment as it relates to selling grain to customers and purchasing grain from farmers as the company is focussed on earning a trading margin that allows for an appropriate return for the capital assets in their network.

Whether the plan is formal or informal, it encompasses input across many levels in a grain company which includes but is not limited to the following:

- Input from the Company's primary elevator operators who provide the quantities they expect to be able to buy and deliver to rail cars and/or trucks (including grains, grades, protein, and other relevant quality factors) over the next number of months at assumed basis levels.
- Input from Terminal operators regarding their capacity to ship based on the grain and grade and quality distribution they expect to unload. This includes discussion on blending opportunities based upon the grain that is planned to be shipped to terminal position.
- Input from Rail Logistics regarding current and anticipated rail capacity and how this will be distributed across the company's primary elevator network.
- Input from Traders on anticipated customer demand, farmer willingness to sell and move product, and anticipated margins for the various commodity lines that are anticipated to be moving through their elevator network.

At this stage of planning, implicit in these processes are the CGC's roles as it relates to:

- the setting of grade standards,
- the issuing of CGC weekly reports on exports, receipts and shipments from primary elevators, and
- CGC capacity to provide the service levels required for the sales program the company plans to execute.

The sales plan is dynamic and changes regularly as new information becomes available.

4.2 Sales Contracting and Execution

Pursuant to the sales plan, the company makes sales to customers. A typical sales contract includes, but is not limited to, the following:

- The price, quantity and quality to be delivered,
- the shipping period (it is typically a 30 day period which is narrowed to a 2 week period a month prior to the shipping period),
- the consequences for non-performance of the parties to the contract, and
- a listing of the documents that must be produced by the seller before the customer will make payment to the seller (e.g., bill of lading, phytosanitary certification, assessment of quality delivered, etc.).

In most sales contracts today, the terminology in the contract indicates that the quality assessment and determination will be made by the CGC or a third-party at the option of the seller (i.e., the grain company). While there is not objective data available to determine the exact proportion of contracts where companies have the option of the CGC or a third-party to provide the quality assessment documents to meet their contract commitments, many would indicate that this proportion is around 80 per cent and increasing.

This is not an indication that buyers have lost confidence or do not want to use the CGC as the determination of quality on the grain they buy from Canada. Rather, it is a reflection of the fact that grain companies have been pushing customers for the addition of this option for many years. While optionality is always of value to grain companies, this effort began in earnest around the time that the CGC moved out of its inward inspection role of grains at export terminal positions (this process started in 2012-13 crop year).

Why did the CGC's move out of inward inspection drive this behaviour? In the loading of export vessels, it is not uncommon for there to be a difference of opinion between the terminal operator and the CGC regarding the assessment of quality being delivered to a vessel (i.e., the outward inspection). The CGC, in its assessment of each 2,000 tonne increment loaded to a vessel informs the terminal operator about the quality of each increment and what this means for the composite grade the CGC will produce based upon what has been loaded up to that time.

The terminal operator is loading grain to the vessel to meet the minimum specifications of the grade contracted based on their understanding of the quality of grain they have unloaded in the terminal, including their decisions as to where unloaded rail cars are binned within the terminal. When the CGC was involved in inward inspection, the terminal operator was guided by the CGC's analysis in making their binning decisions to manage the quality segregations in the terminal (some terminals followed the CGC grade virtually exclusively in their binning decisions). As a result, when an outward export inspection result varied from what the CGC determined on the inward inspection, the terminal operator would engage and escalate the situation within the CGC. The argument made by the terminal operator was that the CGC had to be accountable for the quality they said the grain was at unload into the terminal and this should not change on the outward inspection. In most situations, this discussion resulted in a resolution where an accommodation was reached between the CGC and the terminal operator. It is important to note that these issues are much more common in poor quality years and particularly for wheat and durum where many of the grading factors are more subjective in nature (keeping in mind as well that often the CGC person inspecting on the outward side of a terminal was different from the CGC individual who inspected on the inward side).

When the CGC moved out of inward inspection, it eliminated the ability for the above discussion to occur between the CGC and the terminal operator. Particularly in poor quality years, this significantly increased the risk that grain companies were incurring, and grain companies began to consistently ask customers to get the option of third-party inspection into export contracts with all buyers. It is important to note that third-party inspection is not uncommon in the international grain trade and, as a result, customers who buy from many origins are familiar with it. The fact that 80% plus of contracts have the option is not necessarily an indication of concern with the service provided by the CGC. It is an indication that grain companies are pushing every customer for this option on every sale because this lowers their operational risk.

So how does this work in practice? In poor quality years (and particularly for wheat and durum), grain companies are using third-party inspectors at primary elevators, at terminal unload and on the outward inspection where the option exists in the contract. These third-party inspectors are prepared to guarantee their outward inspection based on what they determine on the inward side. This allows a grain company to effectively manage the risk and to the extent that their risk is lower this should put downward pressure on the basis levels farmers incur (i.e., higher farm gate prices) when they sell and deliver their grain to a primary elevator. On contracts where grain companies do not have the option of third-party inspection, the grain companies are still

using these third-party companies to manage the risk of knowing what is coming at them as it relates to inward determination at the terminal but they are relying on the CGC outward determination. One would expect, on average, that the grain loaded on contracts that have exclusive CGC inspection would be slightly better quality than grain loaded on contracts where third-party inspection is an option to be used. This reduces the company's risk that the CGC may find they have not met the contract specs on the outward inspection. This additional risk may put downward pressure on farm gate prices in certain circumstances. Interestingly, some large transnational grain traders hold out for exclusive CGC inspection, where they have the leverage to demand it, because they expect they will get slightly better quality even though they themselves use third-party inspection in their operations regularly.

As is explained above, it is at sales contract execution where the rubber hits the road as it relates to determining delivered quality and the production of documents needed for the grain company to get payment from the buyer. From a grain company perspective, this is also the highest risk element of dealing exclusively with the CGC when they are only doing inspection on the outward flow of grain to export vessels. The consequences of being unable to get the required certification of quality on a vessel cannot be overstated. At a minimum, the demurrage/despatch clock is ticking while the terminal and CGC work out what is needed to meet spec in the event the terminal stops loading while addressing CGC identified quality issues. At worst, the terminal may be forced to discharge cargo that is already loaded. The time to achieve this is incredibly costly (in the form of demurrage on all vessels in the line-up, lost terminal productivity, the cost of discharge and the potential downstream logistics impacts when a terminal stops loading grain to vessels) and grain companies are rationally trying to find all ways to minimize this risk. It is important to note that lower risk is directionally positive for farm gate returns under competitive circumstances.

In high quality years, the grain companies do not employ third-party inspectors and rely solely on the CGC on the outward side as is their option under the sales contract. In these years, the quality risks are very low and thus the only inspection cost is that of the CGC. In other years, when quality is less sure, grain companies use private third-party inspectors to manage their risk and are essentially paying for the inspection service twice.

4.3 Grain Purchasing and Farmer Delivery

Consistent with the sales planning process, grain companies purchase grain from farmers to meet forward sales commitments. The tremendous changes in rail and primary elevator infrastructure over the last 10 to 20 years have created significant changes in managing the logistics of purchasing grain from farmers.

While there are variations on this general theme, today most companies have a very good handle on the on-farm quality of their farmer customer base and they are reaching out to farmers to execute delivery of the farmer's product to meet the company's sales requirements each and every week. Modern high-throughput elevators do not generally accept delivery of product that is not needed virtually immediately to meet customer demand. In addition, more than ever before, the timing of a purchase contract with a farmer is separate and distinct from the timing of delivery. Finally, the significant increases in commercial trucking from farm to primary elevator means the farmer is far less likely to be present when the grain is delivered to the primary elevator.

Most grain companies are probing the truck delivery ahead of actual unload to confirm that the quality on the truck is consistent with what they expect from the farmer and what the company needs for the next unit train coming to the facility. The determination of quality on the unload drives payment from the perspective that the sales and purchase contract will have a base price with quality premiums and discounts determined based on the actual delivered quality. Relative to when a farmer is present at delivery, the advent of commercial trucking means a farmer is in a weaker position as it relates to the quality determined at delivery. Exacerbating this issue is the fact that each shipment to the primary elevator is much larger than it was years ago.

The CGC plays a number of roles to enhance the position of the farmer in this relationship although all are meant to address worst case scenarios. Farmers shopping their grain and constantly testing their relationships with grain companies remain the primary ways in which farmers protect their interests with grain companies. That said, the farmer has access to the CGC service of binding determination on grade at the time of delivery. The farmer is also protected by the CGC licensing and producer payment security provisions. These activities will be discussed further below.

5.0 CGC Budgeting and Recent History

The cost of operating the CGC has been an industry concern throughout its history but the pressure to reduce costs has been particularly significant over the last decade. A ten-year history of budgeted and actual revenue and expenses for the CGC is illustrated in Table 1.

Table 1: CGC Budgeted and Actual Revenue, Expenses and Net Return, 2010 – 2019.
(Thousands of \$C)

Year	Budgeted Revenue	Actual Revenue	Budgeted Expenses	Actual Expenses	Budgeted Net Return	Actual Net Return
2010	77,256	84,803	83,607	80,067	-6,351	4,736
2011	70,133	76,527	85,501	79,029	-12,368	-2,502
2012	73,344	83,146	82,651	81,194	-9,307	1,952
2013	69,896	77,986	83,884	97,666	-13,988	-19,680
2014	83,580	88,108	66,789	56,590	16,791	31,518
2015	63,109	84,925	59,243	55,043	3,866	29,882
2016	59,487	84,635	61,998	55,332	-2,511	29,303
2017	59,710	83,189	64,134	59,392	-4,424	23,797
2018	63,083	71,053	65,358	60,793	-2,275	10,260
2019	60,264	68,008	67,383	63,245	-7,119	4,763

In determining its revenue requirements, the CGC prepares annual budgets based upon the variable and overhead expenditures it expects to incur to provide its services to the grain industry. The budgeted expenses represent its best estimate of the annual cost of operations. The CGC is mandated to operate on a break-even basis after accounting for the appropriations they receive from government which have amounted to just under \$6 million annually in recent years.

CGC Budgeted revenues are based on a combination of fees collected from the grain industry and appropriations from government. Clearly, most revenues come from the fees charged to the industry for CGC services. In determining the fees, the intention of the CGC is to break-even on each component of the services they provide. Given that CGC inspection and grain quality control represents by far the largest component of the services the CGC provides, the vast majority of their revenue comes from the fees charged for outward inspection. In determining the per tonne fee to charge the industry, the CGC simply divides the anticipated costs to provide their inspection services including overhead and other grain quality control activities by the volume they anticipate that they will inspect over the budget period. If they underestimate this volume actual revenues will exceed anticipated expenses. By the same token, if they overestimate volumes, revenues will fall short of expense. In examining Table 1, the following observations can be made:

- Over the period of 2010 to 2019, it appears that the CGC has significantly underestimated the volume of inspections as actual revenues have exceeded budgeted revenues every year.
- Actual expenses incurred have been less than budgeted expenses for all years except 2013. In addition, actual expenses have fallen by more than 20 million dollars largely reflecting the CGC's move out of inward inspection in 2012-13. The surge in expenses in 2013 likely reflects organizational costs of the staff reductions incurred by the CGC when they moved out of inward inspection.
- The under estimation of volumes combined with the over estimation of expenses has led to the significant surpluses that the CGC has experienced.

6.0 Quality Assurance, Value and the Canadian Brand

When individuals discuss the Canadian brand as it relates to grains and oilseeds they are often speaking about very different things. Farmers commonly focus in on the importance of the quality of our products and that this allows Canadian grain to earn premiums relative to our competitors in world markets. The common quote is that "Canadian wheat, durum and canola are the best in the world and customers demand this grain in preference to other origins and this allows Canadian grain to command a premium price in the market-place." This view is generally focussed on the brand value to the end-use customer who needs to produce a high-quality end-use product.

Contrasting this are the viewpoints of grain traders where each company knows that it is trading identically the same product, competing for the same customers and sourcing the product from the same farmers. Every company takes the brand identity of the grain or oilseed they are trading as a given and while it may give Canada an edge in particular markets this product brand is not something that can be used to create additional value for any individual company. A grain company is focussed on what identifies them as different from their competitors in the market-place so that customers and farmers are more likely to do business with them as opposed to their competitors. They are focused on non-price attributes that attract farmer and customer loyalty to their firm and these are usually service and infrastructure related.

Both of the above perspectives on brand are correct on one important point. A key part of an effective brand is identifying what is different about the product you are offering relative to the product offered by your competitors. These differences allow you to differentiate your product

so that you can earn higher prices than could be earned if your product is effectively the same as your competitors.

A great example of a highly effective brand is Apple. While the commodity they are offering is a smartphone that is in principle very alike to other smartphones available in the market-place, Apple has been able to differentiate its product so that it is able to charge higher prices for its smart phones than its competitors. The reasons for this are many-fold but they are all focussed on a brand promise that customers of Apple receive a superior product and set of services than if they bought their smartphone from Apple's competitors. With this brand promise, Apple knows that customers are "willing to pay" more and thus can charge a higher price for the volume of smartphones they produce for the market. However, it is also critical that they know that the price premium they achieve profitably compensates them for the dollars they spend to create the brand promise.

Grain is very different than the situation with Apple. First, the farmer, except on some specific domestic and specialized export business, does not deal directly with Canada's end-use customers and due to the economies of scale of trading grain they are not likely to. Second, the farmer is selling predominantly to a middle-man who is a commodity trader who trades on a margin. Third, the farmer cannot differentiate the product they deliver to the commodity trader from his farmer neighbor except on measurable differences of actual grade determinants. Fourth, the commodity trader is not at all interested or supportive of seeing a farmer differentiate themselves. If a farmer tries and demands a higher price, traders will simply purchase the product from someone else. The farmer is effectively a price taker and the market price they achieve is based upon the price they are collectively "willing to accept" and this price is generally based on the more distressed sellers (i.e., farmers) in the marketplace as the individual actions of any one farmer has no material impact on the volumes and qualities that get produced and sold in any given year. The farmers "willingness to accept" is separate and distinct from the customer's "willingness to pay."

So how does this relate to a grain company? They are trying to differentiate themselves on the basis of service, access to product and infrastructure. That said, every customer knows that they can get the same product from any of the grain company's competitors. The bottom line is that the product that grain companies are trading is a commodity and no grain company can command any different price than their competitors for this commodity at a given point in time. As a result, grain trading is a very volume driven business as companies can spread their overhead over a greater quantity traded.

So how does this relate to a domestic or export customer? They may be "willing to pay" more for the product they are purchasing from Canada as they know the value of the product in creating their end-use products. But they also recognize that they can get the same product from anyone of many grain companies who are offering essentially the same set of services. They are seeking the least cost supplier in virtually every situation and will buy from the cheapest supplier which in most cases will be at a price less, and often well less, than their "willingness to pay."

Only a single seller of the product can price differentiate to extract a greater portion of a customer's willingness to pay which was the case for wheat, durum and barley with the operation of the CWB prior to the regulatory changes enacted in 2012. In that era, many customers were paying premiums for Canadian wheat and durum relative to what they would have had to pay for similar quality U.S. spring wheats and durums. That said, many customers

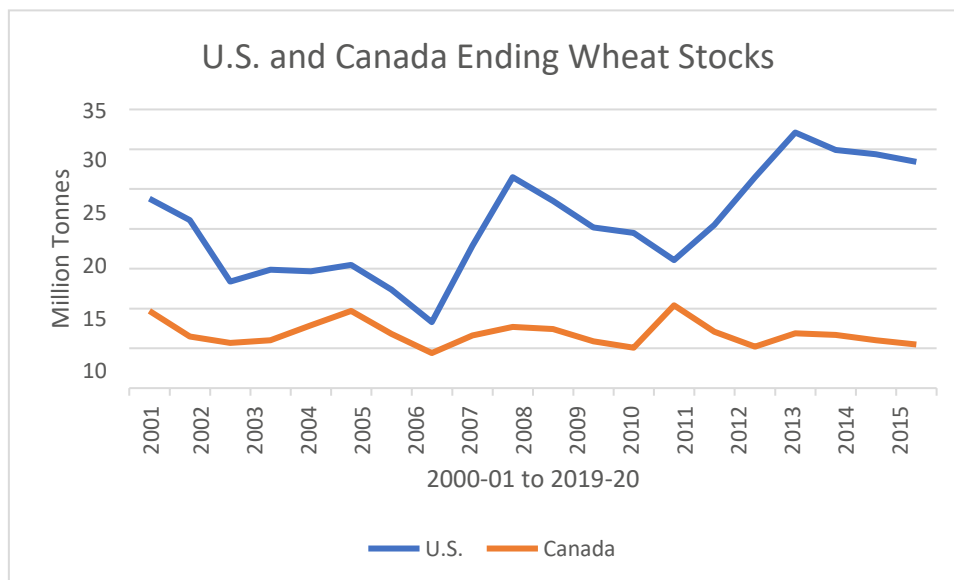
were not willing to pay premiums as the market for high quality spring wheat and durum is limited. As a result, in order to clear the market, a significant volume of grain would be traded at values at a discount to U.S. values as that is what it took to sell the grain that was offered for sale by farmers to the CWB at the time.

In the current multiple seller environment, there is no ability to price differentiate and as a result Canadian wheat and durum has and is trading at discounts to like quality U.S. wheat and durum. The level of discounting varies over time but the discounting has been a consistent feature. This is not a criticism of the system. It is simply a reflection of the fact that if Western Canada is motivated to sell and move its exportable surplus of grain each and every year, then the export surplus will need to trade at discounts to similar quality U.S. grain.

The U.S. has been the residual supplier to the market on quality wheat and durum for much of recent history. The notable exceptions to this were the time periods when the International Wheat Agreements (IWAs) were operating and when the U.S. was aggressively using export subsidies specifically to drive down wheat stock levels. To illustrate this point, Chart 1 below shows the trends on ending stocks in Canada and the U.S. over the last 20 years. With the notable influence on ending stocks of Canada’s mammoth 2013-14 crop, Canadian wheat ending stocks have been relatively stable.¹

In contrast, the ending stock situation in the U.S. is much more variable. Only once in this 20 year period have U.S. wheat ending stocks been below 10 million tonnes and this occurred during the unprecedented price rally of the 2007-08 crop year. In that year, buyers from all over the world drew down U.S. wheat stocks to critically low levels and wheat prices soared.

Chart 1: U.S. and Canada Ending Stocks 2000-01 to 2019-20. Source: USDA



¹ Higher ending wheat stocks in 2005-06 were attributable to a Western Canadian crop that was much lower in quality than normal.

Wheat production in the U.S. has been trending lower in recent years. In 2008-09, U.S. wheat production was just over 60 million tonnes. In 2019-20 this had fallen to just over 52 million tonnes. This compares to total U.S. domestic wheat consumption which has hovered around 30 million tonnes annually which means more than 50% of U.S. production is consumed in various forms in the U.S. market. U.S. domestic market participants play a key role in ensuring that they have supply security and they are competing against export alternatives to ensure they have security of supply. At the same time, U.S. farmers have many marketing options outside of the export market so they do not see the same impacts on basis levels as Canadian farmers do when stocks rise.

Compare this to Canada, where approximately 75% of our wheat is exported, with a number that is north of this for Western Canada in isolation. Given logistical constraints of moving grain from Western Canada to export position, if Canada is not consistently competitive on the export market, farmers are at risk of not moving their exportable surplus. The implications of this are significant, particularly if one considers the basis levels farmers experienced in the 2013-14 crop year when Western Canada could not move the exportable surplus and ending stocks rose to 10.4 million tonnes.

The bottom line is that Canada is not earning premiums from the market-place as grain companies acting in their own best interests are trading Canadian grains as a commodity. Canadian wheat and durum are consistently being sold at discounts to like-quality U.S. grain for the economic and market reasons outlined above. Regardless of what Canada does on the quality assurance file we cannot change the reality of Canada's overall competitive position (i.e., a small domestic market in relation to its production potential) and its unstated but important objective of selling and moving its exportable surplus each and every year.

So, what does the quality assurance system achieve for farmers?

Customer confidence in the quality assurance system as well as the intrinsic quality of Canadian grain is very important to Canada's brand in world markets. The commercial environment is driven by multiple factors but ultimately all buyers make decisions based on value. Reliability, predictability, quality, safety and regulatory compliance are key ingredients in the customer's determination of value.

Canada's quality assurance system is highly regarded by most of Canada's customers. The CGC spends significant dollars on the overhead required to maintain an effective and logically consistent grading system, including the research required to ensure that the grading determinants and tests measuring these attributes reflect what customers are demanding today and well into the future. If there is a deterioration in these attributes, it will impact the market value of Canadian grain and oilseeds relative to what is earned by our competitors. In this regard, we need to be cognizant of what our competitors are doing so that our system does not put Canada at a competitive disadvantage.

6.1 U.S. Quality Assurance System

The U.S. Department of Agriculture's (USDA) Grain Inspection, Packers and Stockyards Administration's (GIPSA) Federal Grain Inspection Service (FGIS) establishes quality standards for grains, oilseeds, pulses and legumes, provides impartial inspection and weighing services through a network of Federal, State and private entities, and monitors the marketing practices to enforce compliance with the U.S. Grain Standards Act (USGSA) and the Agricultural Marketing Act (AMA).

Under the provisions of the USGSA, grain exported from U.S. export port location is officially weighed and inspected. The USGSA does not require FGIS inspection of grain that is not sold or described by a U.S. grade but based on discussions with those involved in U.S. grain trade this is a rare circumstance. FGIS provides its weighing and inspections services directly but it also accredits State based services to do weighing and inspection in its stead. FGIS also accredits private inspectors on domestic based business.

In administering the USGSA, FGIS is responsible for the following activities:

- Establishing and maintaining official U.S. grade standards for grains and oilseeds.
- Promoting uniform application of official grade standards by official inspection personnel.
- Establishing methods and procedures and approves equipment for the official inspection and weighing of grain.
- Providing official inspection and weighing services at certain U.S. port locations.
- Delegating qualified State agencies to inspect and weigh grain at certain U.S. export port locations.
- Designates qualified State and private agencies to inspect and weigh grain at interior locations.
- Providing oversight of delegated State and designated agencies.
- Investigating alleged violations of the USGSA or AMA.
- Investigating complaints or discrepancies reported by importers.

At export, FGIS and its designates test for a wide range of grade determining factors defined by the official grade standards. However, unlike the CGC, FGIS does not test for many intrinsic quality and food safety factors. These tests are available from private inspections services within the U.S. As many customers require these additional tests, it is not uncommon for two inspections services and charges to be involved in certifying quality on a specific export contract. Based on discussions with an individual experienced in the trading of U.S. grain, this is very common on U.S. wheat and durum with more than 80% of exports requiring a third-party inspector to provide analysis on non-grade specifications. On corn and soybeans, third-party inspection is much less common as customers are comfortable with the actual grade determinants.

On export vessels, FGIS offers a service that provides a uniform plan for sampling and inspection as part of their loading protocol. The uniform inspection plan for shiplots is called the Cu-Sum Plan. It establishes statistically based tolerances known as breakpoints for accepting those occasional portions of a lot that, due to known sampling and grading variations, may grade below the desired lot quality. The Cu-Sum Plan was adopted to ensure that the entire lot of a cargo is of uniform quality.

Under the Cu-Sum Plan, a shipment or "lot" of grain is divided into "sublots" for the purpose of maintaining quality. The subplot size is based on the hourly loading rate of the elevator and the capacity of the vessel being loaded. A subplot may represent up to approximately 3,000 tonnes. The grade and factors determined on each subplot must meet, within specified tolerances, the official grades and factors requested in the export terminal's load order. Sublots that do not meet specified tolerances can be removed from the shipment or certified separately at the discretion of FGIS or its accredited agent. In normal course, FGIS certificates represent the entire lot of grain based on the weighted average of subplot results at the time of loading. That

said, customers can request the subplot log that supports the FGIS composite grade decision. Grain sold on this basis are called Cu-Sum grade contracts.

U.S. grain is also sold on the basis of average grade contracts where the grade determination is based on the composite of all sublots without any tolerances by subplot. The grain company in conjunction with the demands of the customer determines whether the contract is average grade or Cu-Sum grade and the grain company informs FGIS of the type of contract in the loading order. FGIS inspects the grain accordingly based on the loading order instructions provided by the grain company.

Traders in the U.S. sell on the basis of both contract types based on the demands of the customer but they do charge a premium for a Cu-Sum based contract. The Cu-Sum based grades are the norm on corn contracts and they are also relatively common on wheat and durum contracts. However, when the CGC changed to average grade contracts in Canada, the trend in the U.S. has shifted to a greater portion of average grade contracts as well. Today, average grade contracts are the dominant form on wheat and durum shipments.

In contrast to the CGC, FGIS has a significant role in the determination of quality at country elevators and domestic processors as it or its accredited parties are performing inspections at these locations at the request of the companies operating at inland locations. The U.S. grain trading system is structured differently than is the case in Canada. In Canada, the vast majority of shipments from country elevators to port are within the same company and there is no specific determination of the value attributable to the primary elevator versus what is attributable to the export terminal. In Canada this is commonly called the pipeline revenue. Grain shipments from one company with primary elevators to an export elevator owned or controlled by another company are settled on the basis of third-party inspection on grade and weight but this represents a relatively small portion of the business in the Western Canadian system.²

In the U.S., virtually all shipments from country elevators to export terminals are governed by a contract where the weight and grade and, thus, value paid to the country elevator by the terminal is determined by FGIS or its accredited agent's inspection. As a result, the grain trade is very reliant on FGIS and its agents for the determination of value and quality at key points in the supply chain. Therefore, when there are discrepancies on quality on the outward inspection at an export terminal, the terminal operator can point directly to the quality that they purchased from country locations that was inspected by FGIS or their accredited agent and verified in the sales and purchase contract. The bottom line is that the U.S. grain trade uses FGIS predominantly on their export contracts. In discussions, a key player estimates that well less than 10% of export contracts have a third-party option for actual grade determinants. However, they do have third-party inspection for the non-grade determinants required by customers.

FGIS charges fees for their services that reflect the direct costs of providing their services. The overhead associated with maintaining the U.S. quality assurance system is covered by the U.S. government. The USGSA is very specific in its language that FGIS fees will only be for the actual cost of providing the inspecting service with the government picking up the public good aspects of the quality assurance and overhead of the inspection system. As a result, the cost of the FGIS system is less than the cost of the CGC program. In 2015, WKM Consulting

² With the significant increases in export terminal capacity in Vancouver, it is likely that this proportion will grow from recent historical volumes.

estimated FGIS cost at U.S. \$0.52 per tonne (Cdn \$0.69 per tonne).³ At that time, they estimated the CGC costs at Cdn \$1.34 per tonne.

FGIS fees have continued to increase and comments from participants in the U.S. indicate the cost today is around U.S. \$0.60 per tonne (Cdn \$0.80 per tonne). The cost of third-party inspection in Canada today is around Cdn \$0.40 per tonne.

Similar to Canada, the trade in the U.S. is advocating for FGIS to accredit third-party inspectors but their reason is focussed on having one inspector that can provide all of the grain quality inspection services for customers as opposed to the current need to commonly use FGIS and a third-party so that the full contractual quality assessment can be made.

6.2 Additional Benefits of an Effective Grading System and Quality Control Processes

A functioning grading system and a quality control process supporting it ensures that customers have a good understanding of what they are purchasing when they indicate that they have demand for a particular grade of grain. As an example, when a customer is buying a #1 or #2 Canada Western Red Spring wheat (CWRS), they are buying a milling wheat that will carry other inferior quality milling wheats and still produce the end-use product the customer expects. This varies by customer as some are buying 1 or 2 CWRS to use at 20-30% while other inferior and cheaper products fill out their requirements. Others may be using virtually 100% 1 CWRS as this is what they require to produce the product they want. The bottom line is that the customer is looking at the least cost sources of grain to supply their end-use products and needs. Ensuring that the product achieves what the customer expects is essential to the brand and the brand promise.

Also critical is that all key players in the supply chain understand the grading system and grading attributes. The transparency of this understanding ensures that all players are segregating in a manner that creates value for the customer and that this value is reflected back to the ultimate producer. If this does not exist, then farmers and grain companies may not be focussed on what creates value for the customer and, as a result, value may be lost by focussing on producing and segregating the wrong attributes.

Finally, a properly functioning and well understood grading system creates symmetry of information between buyers and sellers and this is critical to ensuring that producers receive appropriate payment for the quality that they produce. In the absence of this symmetry of information, those with more information will create more value for themselves than for those with less information and this deteriorates the incentive structure to produce what customers are demanding. In Western Canada, the increasing importance of quality determinants that are not part of the official grade have weakened the transparency of what has value and how value is compensated by grain companies with farmers.

7.0 Licensing

Under the Canada Grain Act, the CGC is responsible for the licensing of grain handling facilities operating within Canada. The CGC has set up a number of categories of licensing to deal with

³ Exchange rate used throughout this document is Cdn \$1 = U.S. \$0.75.

the different levels of involvement as it relates to handling grain and interfacing with farmers. The main categories are export terminals, primary elevators, grain dealers and processors.

The CGC charges grain companies a fee for the licensing of facilities that is based on the recovery of the CGC's variable and overhead costs associated with managing the licensing area of the CGC. Licensing is an important element in ensuring that the CGC is regulating the grain handling system in Canada and licensing is a necessary condition to ensuring that the CGC can put in place services that protect the interests of farmers as well as managing the CGC's mandate to manage quality assurance throughout the grain handling system. All of the issues discussed in the following sections are in some way dependent on the operation of a grain handling licensing system.

8.0 CGC Outward Inspection

The CGC completes an outward inspection on all off-shore exports and produces a certificate final as required by the Canada Grain Act and regulations, regardless of whether this is required in the contract between the buyer and seller. The CGC used to do the export inspections on all inland shipments by rail to the U.S. and Mexico (this was done at the primary elevator where the train was loaded) but it relaxed these provisions and made these exports exempt from the certificate final process. The main reason for this change was the staffing and logistic difficulties the CGC faced in providing service levels at primary elevators across Western Canada that were shipping to the U.S. and Mexico. When they were not able to perform, the company involved incurred significant costs in the form of lost rail incentives and productivity. The CGC exempted this business from the requirement for a certificate final and the business was quickly picked up by the private inspection companies who became the determiners of quality on export contracts. Inland grains and oilseeds exports to the U.S. and Mexico range between 5 and 15% of total Canadian exports on an annual basis.

Based on discussions with the CGC, they indicated that they made the change to exempt inland shipments to the U.S. and Mexico by issuing an order pursuant the Commission's authority under the Canada Grain Act (CGA). The CGA provides the commission the authority to issue orders that result in changes to regulatory operations. Where a change in operations is beyond the Commission's authority to issue orders, the commission can seek changes in regulations pursuant to the regulations that exist under the CGA. A change in regulation requires the approval of the Governor in Council and as such is a government cabinet decision. More significant changes can only occur via changes to the CGA which must be approved by the federal parliament.

The trade has been critical of the CGC's level of service on outward inspection at export terminals as compared to the service they can attain from third-party private inspections services. The CGC union environment does limit the flexibility CGC management has in addressing specific service issues from time to time. But these issues are not a lot different from the challenge terminal operators have in dealing with stevedores (who are part of a union) and their own union staff. In discussing this situation with the CGC, grain companies have to give notice to the CGC if a company wants to load vessels over a weekend or holiday. This notice is very similar to the notice that must be provided to stevedores and other union staff for very similar reasons.

This issue is less critical for terminals at the west coast where loading operations are much more continuous as compared to terminals on the east coast where volumes are lower and more intermittent. The key difference is that the CGC is scheduling regular crews at the west coast but this does not make sense for the volumes at many east coast export terminals.

The CGC inspection services are significantly more costly than private third-party inspectors. Third-party inspectors do not have the same overhead costs associated with maintaining the Canadian quality assurance system that is one of the CGC's key responsibilities. This overhead is clearly significant. The CGC also maintains that they invest a lot more in the training of their staff than is the case with the private inspectors. This point has merit as many of the personnel working for third-party inspectors are former CGC staff. In the absence of the CGC, private inspection firms would likely have to do more training in Canada to maintain standards. However, while they have this supply of former CGC personnel, they are, in a sense, free riding on the trained staff they can hire from the CGC from time to time.

Given the prevalence of former CGC staff working for the private inspection companies in Canada, it is difficult to discern differences in the quality of services provided by the CGC versus a third-party inspector. Third-party inspectors working for grain companies are involved at several key checkpoints in their assessment of quality. As a result, there is more of a partnership in ensuring that both parties are meeting their mutual needs. For instance, the presence of the third-party inspector does affect how the company buys and bins different qualities of grain so that they can meet the contracted quality on export contracts. As has been indicated earlier, the third-party inspector will guarantee the outward grade to vessel (for a price) if the company meets its quality requirements through the supply chain. In this sense, there is a partnership between the inspection company and the grain company that allows each to meet its mutual objectives.

While the CGC is first and foremost a regulator, when it was in the inward inspection service there was an understanding within the trade that the CGC was accountable for consistency between inward and outward inspections so in a sense this was also a form of partnership that ensured the consistency of quality through the supply chain. However, when the CGC moved out of the inward inspection, this partnership changed for reasons already discussed earlier and this made reliance on the CGC outward inspection riskier for the grain company employing third-party inspectors. When third-party inspection is cheaper as well, it is understandable why grain companies continue to seek changes to the CGC's mandate.

How relevant are Canadian grade and grade determinants in the purchasing decisions of Canada's export customers? Based on my experience and recent discussions with those actively trading, the grades specifications remain very important. That said, in discussions with those actively in the business, they indicate that the vast majority of export sales of wheat and durum have specifications in addition to determinants for an actual grade. Specification on HVK, falling number and DON are common additions to the grade. As an example, it is common to sell 2 CWAD in all respects but with HVK in excess of 80%. Similarly, CWRS sales commonly have falling number or DON guarantees. Where additional specifications are part of the contract, the CGC will do this analysis and produce a letter of analysis in addition to the determination of grade and protein to ensure that grain company can show that they have met or exceeded the export contract specifications.

What is the CGC process that allows them to export certify an export cargo (what is the CGC loading protocol)? Each export terminal has CGC-approved sampling infrastructure that allows

the CGC to randomly sample the flow of grain from the terminal to the export vessel. Prior to the loading of a vessel, the grain company provides the CGC with a loading order outlining the quality required including any non-grade specifications. The CGC provides the grain company an assessment of the quality for each 2,000 tonne increment consistent with the instructions provided in the loading order. The terminal operator closely monitors the CGC's assessment of each increment and makes adjustments based upon the composite of the increments it has received. If the specifications are below grade, the terminal looks to sweeten subsequent increments to achieve the composite grade. If the specifications are well above grade, the terminal takes the opportunity to add some lesser quality to a subsequent increment.

The CGC final assessment (the certificate final) of grade and protein (including letters of analysis for any non-grade specifications outlined in the loading order) is based upon the composite of all the 2000 tonne increments for the specific export contract. This loading protocol has been pretty much unchanged since the deregulation of the CWB. Prior to that, the loading protocol required that each 2000 tonne had to be within a tolerance in addition to the composite of the increments exceeding contract (similar to the FGIS Cu-Sum program). While this change was not publicized at the time, there were many customer complaints following this change as it did result in greater inconsistency across cargoes. This was particularly the case for buyers who were serving multiple customers where vessel unloading occurred at several different ports.

Third-party inspectors use processes that are very similar to those used by the CGC. They are using sampling infrastructure in the terminals that is similar to the CGC. They are somewhat flexible to the increments being tested recognizing that greater effort will result in a higher cost of service and they are seeing the grain at some key check points in the supply chain. They also are more flexible than the CGC as they do not have some of the difficulties of dealing with a union environment. Most importantly, they are prepared to guarantee quality on an export contract based upon the sampling and inspection processes they have in place within the grain company's supply chain. In low and variable quality years, this guarantee is important to reduce company risk.

Are they less diligent than the CGC and does this harm Canada's quality control system? As a first response to this question, it is important to recognize that in poor quality years, the vast majority of business exported from Canada is inspected by third parties for the purposes of quality determination on export contracts. Furthermore, third parties are used all over the world so buyers not purchasing exclusively from Canada (this would be most if not all customers) are familiar with third-party private inspectors. This all said, on balance, it is fair to say that a third-party inspector is likely to be somewhat more flexible on a determination of grade than the CGC would be in the same circumstance. However, there are limits to this flexibility as the inspection company has its own reputation and it will not sacrifice its reputation to inappropriately address a grain company's mistakes.

8.1 Accreditation of Third-Party Inspectors

Some parties are currently advocating that the CGC move to accrediting third-party inspection companies to do the outward inspections. Their motivation is largely focussed on reducing the costs of inspection services in two ways. First, they point to the cost of the CGC service which is very high in part due to the fact that the fees the CGC is charging are to recover the overhead costs (many of which are public good related) associated with overseeing the entire quality control system. As noted earlier in this report, the U.S. government in the USGSA specifically

prohibits FGIS from including these public good costs into the fees they charge to inspect grain for domestic or export consumption. Second, the parties note that accreditation would mean that fees would be paid to only one inspection service as opposed to two services which is often the case today.

From a producer perspective, there are a number of important questions in evaluating CGC accreditation of third-parties, particularly considering that farmers are the primary beneficiaries of maintaining and promoting the Canadian brand as it relates to quality control and assurance. If accreditation were to occur, the cost to operate the CGC would drop but there would still be a significant shortfall if the CGC were expected to maintain the quality assurance system that supports the outward inspection process. This shortfall would have to be covered by government procurement or a fee structure that accredited third parties would add to their private inspection services. In the absence of either form of funding, the CGC would have to curtail its operations to a point where it would potentially be in-effective and this would have significant implications to the Canadian brand. This would ultimately hurt the competitive position of farmers. That said, the CGC needs to be encouraged to be cost effective in its mandate.

The move to accreditation would reduce costs as it would eliminate the current process where the same grain is inspected twice. For the reasons outlined earlier, it would also reduce risk to the trade on contracts where the customer is demanding CGC inspection in the contract. The combination of reduced cost and lower risk should on average translate into more competitive export basis levels to the farmer but this is not guaranteed as there are many factors that affect export basis levels in the market and these could easily over-shadow the cost and risk considerations of this change.

There are also significant risks to the brand of making this change, so if it was to occur these risks would need to be addressed and managed. The main risk is the perception of customers and the potential that they see this as a significant deterioration of the Canadian quality assurance system. What can be done to mitigate this risk?

The accreditation process would have to be rigorous. The CGC would have to have the ability to deny accreditation on the basis of inadequate capability or less than adequate performance. The CGC would also be responsible for defining all the key processes that the accredited inspectors would follow including the loading protocol. The CGC would also have to take a lead role in the training or at least in administering the training of third-party inspectors to ensure that they live up to Canada's brand promise. Finally, the CGC would need to do periodic audits to ensure that all accredited parties are following the CGC-approved processes and protocols.

In an environment where accreditation was in place, the CGC would have to be clearly responsible for the following activities:

- Establishing and maintaining official Canadian grade standards for grains and oilseeds.
- Promoting uniform application of official grade standards by official inspection personnel.
- Establishing methods and procedures and approvals of equipment for the official inspection and weighing of grain.
- Leading grain quality assurance research to ensure that Canada remains a world leader in grain quality assessment and measurement.

- Providing official inspection and weighing services if there are gaps in accredited services (e.g., in instances where third parties were not available due to an action taken by the CGC)
- Accrediting and designating and overseeing/auditing qualified third-parties to inspect and weigh grain at export locations.
- Investigating alleged violations of the Canada Grain Act.
- Investigating complaints or discrepancies reported by importers.

An effective communication plan would be critical if the move to accreditation were to occur. Helping the situation is the fact approximately 80% of customers have already agreed to the option of third-party inspectors in their sales and purchase contracts. This reality needs to be leveraged. All parties have to consistently communicate to customers that this is a CGC accredited program and the CGC remains in charge of Canada's quality control system.

In order to foster competition in inspection services, the CGC needs to be encouraged to ensure that more than one company is available as an accredited third-party inspector. In the absence of government funding for the overhead public good aspects of the CGC, the CGC would have to put in place a fee with the accredited third-party inspectors that would pass through to the users. While the CGC would need to control whether a third-party is accredited, it still makes sense from a competitive perspective that the grain companies would pay the fees of the third-party inspector including the CGC pass through fee as they would be choosing the service provider from the accredited list and outlining the service package they wanted from the third-party. As part of this service package, all activities associated with outward inspection for export would have to be consistent with the CGC protocols for accredited third-party inspectors.

Regardless of the decision on accreditation, the CGC should give consideration to tightening up the current loading protocol. Customers have pointed to the change in the 2012-13 crop year as a significant deterioration in the uniformity of cargo delivery. The fact that FGIS has a uniformity protocol in place as an option on loading increments and Canada does not is difficult to understand.

9.0 Access to Binding determination

As part of its services under the Canada Grain Act, the CGC provides farmers the ability to arbitrate the determination of grade and dockage with their grain handler. The purpose of this service is to enhance the negotiating position of the farmer in their discussions with grain companies about the quality they are delivering which ultimately affects the price the farmer receives for the product they deliver. Access to binding determination is largely about the threat that it may be used as a lever in discussion with grain companies. As a result, the extent of its use is not necessarily an indicator of the effectiveness of this tool. The reality is that farmers shopping their grain and constantly testing their relationships with grain companies remains the primary means by which farmers protect their interests with grain companies. That said, the Canada Grain Act provides access to binding determination in those instances where a farmer is not satisfied with what they can achieve in their individual dealings with grain companies.

The actual use of binding determination over the last five years is shown in Table 2 below.

Table 2: Incidences of the Use of Subject to Inspector’s Grade and Dockage Determination (STIGD): 2015-16 to 2019-20

Year	Incidences
2015-16	135
2016-17	151
2017-18	241
2018-19	236
2019-20	233

Source: Canadian Grain Commission

In discussions with the CGC, they indicate that they see greater use of the program in years with lower crop quality. This makes sense as the subjective nature of grade determination on grains like wheat and durum can create significant uncertainty in poor quality years.

Under the current system, the grain company is compelled to rely on STIGD if requested by the farmer but they are only compelled on actual grade determinants tied to the official grade. The companies are not compelled on non-grade determinants which have become an increasingly important component of the determination of value between grain companies and farmers. The grain company can agree to the addition of non-grade components voluntarily but there is reluctance to do this.

Given the increasing prevalence of non-grade quality factors, like falling number, DON and HVK enhancements to name a few, there does appear to be a gap in the effectiveness of STIGD to balance the interests of the farmer in relation to the grain company. These gaps could be addressed by adding these factors to the STIGD process, although in the case of falling number and DON, another possibility is adding these factors as grade determinants.

Another factor that affects the use of STIGD is that it is only available at the point of delivery. With the increasing use of commercial trucking many farmers are not present at delivery and this makes the use of this tool more challenging. Program changes to address this issue are challenging as it is important that any changes maintain an appropriate balance between the grain company and the farmer.

10.0 Producer Payment Protection

Producer payment protection is achieved under the CGC’s Safeguards for Grain Farmers Program. Under the program, CGC licensed grain companies are required to tender security for their outstanding liabilities to farmers in the form of either a bond, letter of credit, letter of guarantee or payables insurance. If the licensed company defaults on paying farmers, the CGC uses the security held to compensate those farmers who are eligible. Under the program, farmers must submit claims for compensation within 90 days of actual delivery or 30 days from the date the cash purchase ticket or cheque was issued, whichever is less.

This program is often a target of criticism by grain companies who view the monies tied up as security (in whatever form provided) as an unnecessary expense that costs them and ultimately farmers as the price takers within the system. There is no question that there is a cost to operating the system and that farmers ultimately bear the cost of it via the basis levels they are effectively charged when they deliver to the farm gate.

This cost can be viewed as an insurance premium that all farmers effectively pay to ensure that they have coverage in the event of a default by a grain company. The most recent default by ILTA grain in 2019 represented the largest total security payout in the CGC's history. In January of 2020, the CGC announced that 222 eligible unpaid farmers would receive \$11.1 million which was covered by the security posted by ILTA grain prior to when ILTA grain was put under creditor protection in July of 2019. These producers were paid all they were owed because the CGC had security in place to cover their risks.

That said, not all farmers dealing with ILTA grain were covered by the CGC security. In particular, 44 farmers who had delivered canary seed were not covered as canary seed is not regulated by the Canada Grain Act and as a result, they are still owed about \$2.1 million. There were also some other farmers who were not covered due to the fact that their deliveries were made outside the program eligibility period. These farmers will be left to seek whatever assets are available for distribution after the secured creditors have been paid out as part of the bankruptcy process.

The ILTA grain failure is a textbook case for why the CGC has producer payment protection programs in place. When any company gets into financial trouble, they are seeking any manner to maintain cash for operations and this means slowing payments to farmers and unsecured creditors. At the end of the day, farmers are at risk as they cannot know the financial particulars of a company's situation until it is generally too late. The ILTA grain situation points to the limitations of the CGC program as it relates to eligible grains and eligible deliveries.

In 2009, Scott Wolfe Management estimated the total cost of the Producer Payment security program at \$9.0 million annually. The costs were broken down as follows:

- \$1.4 million for CGC administration.
- \$1.0 million for grain company administration, and
- \$6.6 million for grain companies to post security.

Based on approximately 40 million tonnes of farmer deliveries in 2009, Scott Wolfe Management estimated the average cost for the program at \$0.23 per tonne for the CGC to maintain insurance on their behalf. Subsequent to this study, the CGC has gone to an insurance-based system with Atradius insurance. This change has further reduced the per tonne cost of the program. In discussions with industry, the cost with this new program is in the range of \$0.10 per tonne.

Ultimately, the cost of the program must be weighed against the fact that this is an insurance policy to protect against the unknown. It wasn't that many years ago when Saskatchewan Wheat Pool (SWP) was on the verge of bankruptcy. Given the public nature of the company, the financial issues were well known at the time but there was still a lot of concern that the company would go into receivership. In today's environment, most companies are not publicly traded so farmers are unlikely to be aware of an issue until it is relatively late in the game.

Like any insurance policy, the CGC's policy on producer payment protection is a matter of weighing the costs against the risk and implications of grain company failure in the system. While the risk is low, the consequences to farmers caught in a company failure situation are significant and potentially fatal to the farm business. In the absence of the CGC security program, farmers would need to be singularly focussed on their accounts receivable so that they minimize the risk of default on the grains they deliver.

11.0 Statistical Data Collection and Reporting

As part of its role in regulating the grain handling system, the CGC collects data from its licensees regarding grain exports, primary and export elevator volumes, producer car shipments and exports of grains from Canada in total and by port. This data is very valuable to grain companies who are constantly assessing their competitive position in the market. It is also valuable to producer organizations to keep abreast of grain movement and execution within the system and decision makers looking to make sound policy decisions based on accurate current and historical data regarding grain handling and exports.

Relative to the U.S., Canada has very limited reports that allow farmers to track current and historical information that is important to their business. Most of the gaps in reporting are related to pricing and value which is not a CGC responsibility. For instance, in the U.S. interested parties are able to get relatively current and historical basis pricing levels at all U.S. ports. This information is also readily available from the USDA at many in-country locations and key inland market places like Minneapolis, Kansas City or Chicago.

The CGC reports outlined above are very transparent and reliable. Farmers' interests are supported by maintaining and expanding reporting that enhances transparency for better decision making.

12.0 CGC Governance

The Governance of the CGC has been a topic of discussion for many years with many views held by many different interests. These interests are often focussed on who ultimately pays for the costs of operating the CGC or who the CGC has as its core customers. While these are considerations in the discussion, they are generally not fundamental to the determination of the governance of an organization. For instance, all corporations have customers and these customers pay for the goods or services produced by the corporation but it is not typical for these groups to be represented on a Board of Directors. An exception to this is the governance seen in the cooperative sector but the key difference in the cooperative sector is that the customers are usually also the owners of the business and as owners they have a say in the individuals they select to govern and direct the organization.

Whether it is a cooperative, a privately-owned company or a limited liability corporation, the key point is that it is the owners who determine who sits on the Board of Directors. The owner(s) also determine the authority they are conferring to the Board of Directors so that they can govern the organization on their behalf.

In the case of the CGC, it is clear the organization is owned by the federal government. It exists due to legislation passed by the Parliament of Canada. It is the regulator of the grain handling industry in Canada and changes to the Canada Grain Act or the regulations that exist pursuant to the Act are determined by the Parliament of Canada and the Governor in Council, respectively. As a result, it is logically consistent that the Governor in Council appoints the Board of Directors/Commissioners of the CGC.

In the Canada Grain Act, Commissioners are full time positions appointed on good behaviour for a term of up to seven years by the Governor in Council. The object of the Canada Grain Act is as follows.

Subject to this Act and any directions to the Commission issued from time to time under this Act by the Governor in Council or the Minister, the Commission shall, in the interests of the grain producers, establish and maintain standards of quality for Canadian grain and regulate grain handling in Canada, to ensure a dependable commodity for domestic and export markets.

The Canada Grain Act was passed in 1912 largely to address and protect the interests of producers in their interfaces with the grain handling system and that remains the case today as is indicated by the object of the Act. Historically, many of the government appointments have been actual and former grain producers likely reflecting the object of the Act and the politics associated with the Grain Commission appointments. As full-time appointments, the Commissioners effectively act as both a Board and collectively as the CEO of the organization. This was essentially the same situation that existed at the Canadian Wheat Board (CWB) prior to the change in governance structure that occurred in 1998.

There have been discussions regarding changing the Commissioner positions to part-time roles as is the case with a more traditional Board of Directors who would then hire a Chief Executive Officer (CEO) to manage the operations of the Commission. From a governance perspective, this change in structure would require the Board of Directors to confer authority on the CEO who would be empowered by and accountable to the Board to run the day to day operations of the CGC. While this change is easy to articulate, it is more challenging in practice as the principal agent issues (i.e., conflicts in priorities between a Board of Directors and the representative authorized to act on their behalf) that can occur between a CEO and a Board of Directors are well documented in governance literature. Saskatchewan Wheat Pool is often cited as a case study highlighting principle-agent issues in a large organization.

The challenges of the principal agent relationship can be managed by a Board that is well trained in governance and that has a good understanding of the role of a Board relative to the role of Management. When this governance change was implemented at the CWB, the Governor-in-Council of the day appointed 5 Board members who operated alongside 10 elected farmers. The five appointments were experts in Board governance and they were instrumental in assisting the Board and Management grow into the new structure and their respective roles. This was a process that took time and effort and there were some significant lessons learned along the way.

The CWB was a regulator but it was primarily a supply chain company. As a result, there was a very large operational role that was reasonably suited to the traditional Board/CEO model. This is less clear in the case with the CGC as its role is a regulator and as a result it would be expected that most of the pressures on it as a regulator would likely be addressed at the Board (and/or Commissioner) level as they are commonly questions that affect multiple interests in opposing ways.

The CGC's current governance structure and particularly the length of the term on good behaviour does protect the organization against the short-term political pressures newly elected governments face from time to time. This protects the overall direction of the organization from short term intense political pressure from interest groups who are pushing for specific change that is meant to enhance their interests. As an organization that acts in the interests of grain producers, it is important that the governance structure ensures that producers' interests are protected from the parties that are meant to be regulated by the Canada Grain Act.

It is a reality that grain companies have far more interactions with the CGC at the decision making level than do producers. As the regulator of the grain handling system in Canada, grain companies are consistently lobbying the CGC for changes that enhance their financial position, potentially at the expense of producers or perhaps even the Canadian brand. This is not a criticism of grain companies as they are simply operating in their own self-interest and self-interest is a powerful motivator.

The changes in the loading protocol that removed the specification limits on each 2,000 tonne increment is a classic example of effective lobbying that created an advantage for terminal operations at the expense of the Canadian brand and therefore ultimately producers. Nothing was ever announced when this change was made but the customer complaints speak for themselves.

No governance model is perfect as all models will suffer from decisions from time to time that appear wrong with the benefit of 20-20 hindsight. It is key that the model allow for thoughtful decisions consistent with the object of the Act irrespective of the lobbying of special interests.

13.0 Summary

The Government of Canada is undertaking a review of the Canada Grain Act (CGA) and the Canadian Grain Commission (CGC). The review process is meant to provide stakeholders the opportunity to provide input into the changes they would like to see regarding the CGA and the CGC. The SWDC has hired this consultant to analyze the potential changes being considered to the CGC and the CGA and the implications of these changes on the activities and economics of Saskatchewan grain producers.

13.1 Industry Overview

The report provides a broad description of the operations of grain companies in Western Canada as it relates to trading and merchandising grain. This description is important to understanding grain company behaviour as it relates to the interfaces with the CGC. It also explains why grain companies are asking for the CGC to accredit third-party inspectors on the CGC outward inspection process.

The report outlines the CGC budgeting process and the CGC's recent history as it relates to budgeted revenues and expenditures and contrasts that with actual revenues and expenditures. In determining its revenue requirements, the CGC prepares annual budgets based upon the variable and overhead expenditures it expects to incur to provide its services to the grain industry. The CGC is mandated to operate on a break-even basis after accounting for the appropriations they receive from government which have amounted to just under \$6 million annually in recent years.

CGC revenues are based on a combination of fees collected from the grain industry and appropriations from government. In determining the per tonne fee to charge the industry for outward inspection, the CGC simply divides the anticipated costs to provide their inspection services, including overhead and other grain quality control activities, by the volume they anticipate that they will inspect over the budget period. Over the period of 2010 to 2019, the CGC has underestimated the volume of inspections and overestimated expenses in most years. This explains the surpluses the CGC has experienced.

13.2 Quality Assurance, Value and the Canadian Brand

It is a reality that Canadian grain is not earning premiums relative to U.S and other origin grain in international markets. Despite long-term and largely successful efforts to differentiate Canadian grain in the eyes of customers, many of whom are likely willing to pay more for the grain they buy from Canada, the reality is that they do not have to as Canadian grain is effectively a commodity merchandised by multiple grain companies. The strengths of our quality assurance system cannot change the reality of Canada's overall competitive position (i.e., a small domestic market in relation to its production potential) and its unstated but important objective of selling and moving its exportable surplus each and every year. This reality, however, does not lower the importance that the quality assurance system plays with Canada's customers and the value that producers capture from the marketplace.

Customer confidence in the quality assurance system as well as the intrinsic quality of Canadian grain is very important to Canada's brand in world markets. The commercial environment is driven by multiple factors but ultimately all buyers make decisions based on value. Reliability, predictability, quality, safety and regulatory compliance are key ingredients in the customer's determination of value.

Also important in the customer's determination of value is their assessment of Canada's quality control system against that available from Canada's competitors. In this regard, the report describes the U.S. inspection system as well as the interaction of the U.S. grain industry with their Federal Grain Inspection Service (FGIS). While FGIS does not offer many of the producer protection programs provided by the CGC (e.g., binding determination of grade and dockage and producer payment protection), FGIS does offer a grain inspection service package that is similar to the CGC. However, there are four key differences between the Canadian and U.S. grain inspection and quality control systems.

First, FGIS, as directed by law, is only allowed to charge the U.S. grain industry for the direct costs of grain inspection. All overhead costs associated with maintaining grain standards, testing and support for the U.S. quality control system including grain quality research are paid by the U.S. federal government. FGIS costs for export inspection are around U.S. \$0.60 per tonne (Cdn \$0.80) which is well less than the fees charged by the CGC as the CGC fees include significant overhead.

Second, FGIS is significantly more involved in the determination of quality and value at in-country position than is the case with the CGC in Canada. This is a direct result of the fact that virtually all U.S. shipments from country position to export terminal are subject to a sales and purchase contracts between the in-country elevator and the export terminal. FGIS or their accredited agent in the majority of cases are the determiners of quality on these contracts. In contrast, the CGC has not had an in-country presence of any significance since it moved out of inward inspection at some point during the 2012-13 crop year.

Third, FGIS offers two types of loading protocols at export terminal position. The FGIS loading protocol ensures that they are evaluating each 3,000 tonne increment (the size of the increment does depend on the size of the vessel, the size of export contract and/or the loading rate of the terminal) being loaded to a vessel to determine that the cargo will meet the quality requirements of the contract. The first type of protocol is called an average grade contract. Under this contract, the total cargo meets contracted quality as long as the composite average of all increments meets or exceeds contract. The second type of protocol is referred to as a Cu-Sum

grade. Under this protocol, not only does the composite have to meet grade but there are also tolerances on each 3,000 tonne increment. Cu-Sum is available for customers who have greater concerns about uniformity of quality across the cargo (they pay a premium for this). Today, the CGC offers average grade contracts but prior to 2012-13, the CGC loading protocol was very much like the Cu-Sum program but based on 2,000 tonne increments.

Fourth, FGIS will only perform analysis on actual grade determinants at export position. They will not do additional testing on non-grade factors that customers require for their own quality or domestic regulatory requirements. As a result, in the U.S. grain companies employ third-party inspectors to provide customers analysis of the non-grade specifications they require. In contrast, the CGC will do analysis of non-grade factors if it is required in the export contract based upon the loading order provided by the export terminal.

While there are differences in processes and procedures in the Canadian and U.S. quality assurance systems, both are highly regarded by international customers. Both countries spend significant dollars on the overhead required to maintain an effective and logically consistent grading system including the research required to ensure that the grading determinants and tests measuring these attributes reflect what customers are demanding today and well into the future.

That said, the U.S. is Canada's main competitor, particularly in the high-quality spring wheat and durum market and when there is a deterioration in the attributes addressed by the Canadian system relative to our competitors, this will impact the actual and perceived value of Canadian grain in the eyes of our customers. In this regard, we need to be cognizant of what our competitors are doing so that our system does not put Canada at a competitive disadvantage.

Also critical is that all key players in the supply chain understand the grading system and grading attributes. The transparency of this understanding, which in large part relies on the organization responsible for quality assurance (i.e., the CGC) ensures that all players are segregating in a manner that creates value for the customer and that this value is reflected back to the ultimate producer. If this does not exist, then farmers and grain companies may not be focussed on what creates value for the customer and, as a result, value may be lost by focussing on producing and segregating the wrong attributes.

Furthermore, a properly functioning and well understood grading system creates symmetry of information between buyers and sellers and this is critical to ensuring that producers receive appropriate payment for the quality that they produce. In the absence of this symmetry of information, those with more information will create more value for themselves than for those with less information and this deteriorates the incentive structure to produce what customers are demanding. In Western Canada, the increasing importance of quality determinants that are not part of the official grade have weakened the transparency of what has value and how value is compensated by grain companies with farmers.

The bottom line is that the customer is looking at the least cost sources of grain to supply their end-use products and needs. Ensuring that the product achieves what the customer expects is essential to the brand and the brand promise.

13.3 CGC Outward Inspection and Accreditation

The CGC completes an outward inspection on all off-shore exports and produces a certificate final as required by the Canada Grain Act and regulations, regardless of whether this is required in the contract between the buyer and seller. Over the last 8-10 years an increasing proportion of export contracts have included the option of using a third-party inspector or the CGC as the determiner of the quality delivered. Today, it is estimated that more than eighty per cent of export contracts have the option of using a third-party inspection company. This change is not a reflection that customers have concern with the services provided by the CGC as the CGC's reputation with customers continues to be excellent. Rather, this reflects that grain companies, acting to reduce their risk, have been pushing for this option on export contracts for many years starting in earnest with the CGC's move out of inward inspection in 2012-13.

The CGC inspection services are significantly more costly than private third-party inspectors. Third-party inspectors do not have the same overhead costs associated with maintaining the Canadian quality assurance system that is one of the CGC's key responsibilities. This overhead is clearly significant. The CGC also maintains that they invest a lot more in the training of their staff than is the case with the private inspectors. This point has merit as many of the personnel working for third-party inspectors are former CGC staff.

Third-party inspectors use processes that are very similar to those used by the CGC. They are using sampling infrastructure in the terminals that is similar to the CGC. Most importantly, they are prepared to guarantee quality on an export contract based upon the sampling and inspection processes they have in place within the grain company's supply chain. In low and variable quality years, this guarantee is important to reduce company risk. Also important is the fact that as non-union organizations, they are more flexible than the CGC in the offering of service. They are also likely to be somewhat more flexible on a determination of grade than the CGC would be in the same circumstance. However, there are limits to this flexibility as the inspection company has its own reputation and it will not sacrifice its reputation to inappropriately address a grain company's mistakes.

Some parties are currently advocating that the CGC move to accrediting third-party inspection companies to do the outward inspections. Their motivation is largely focussed on reducing the costs of inspection services in two ways. First, they point to the cost of the CGC service which is very high in part due to the fact that the fees the CGC is charging are to recover the overhead costs (many of which are public good related) associated with overseeing the entire quality control system. As noted earlier in this report, the U.S. government in the USGSA specifically prohibits FGIS from including these public good and other overhead costs in the fees they charge to inspect grain for domestic or export consumption. Second, the parties note that accreditation would mean that fees would be paid to only one inspection service as opposed to two services which is often the case today.

From a producer perspective, there are a number of important questions in evaluating CGC accreditation of third-parties, particularly considering that farmers are the primary beneficiaries of maintaining and promoting the Canadian brand as it relates to quality control and assurance. If accreditation were to occur, the cost to operate the CGC would drop but there would be a significant shortfall if the CGC were expected to maintain the quality assurance system that supports the outward inspection process. This shortfall would have to be covered by government procurement or a fee structure that accredited third parties would add to their private inspection services. In the absence of either form of funding, the CGC would have to

curtail its operations to a point where it would potentially be in-effective and this would have significant implications to the Canadian brand. This would ultimately hurt the competitive position of farmers.

The move to accreditation would reduce costs as it would eliminate the current process where the same grain is inspected twice. For the reasons outlined in the main body of the report, it would also reduce risk to the trade on contracts where the customer is demanding CGC inspection in the contract. The combination of reduced cost and lower risk should on average translate into more competitive export basis levels to the farmer but this is not guaranteed as there are many factors that affect export basis levels in the market and these could easily overshadow the cost and risk considerations of this change.

The accreditation process would have to be rigorous. To summarize, in addition to a comprehensive communication plan, a move to third party accreditation would still require the CGC to be responsible for the following activities:

- Establishing and maintaining official Canadian grade standards for grains and oilseeds.
- Promoting uniform application of official grade standards by official inspection personnel.
- Establishing methods and procedures and approvals of equipment for the official inspection and weighing of grain.
- Leading grain quality assurance research to ensure that Canada remains a world leader in grain quality assessment and measurement.
- Providing official inspection and weighing services if there are gaps in accredited services (e.g., in instances where third parties were not available due to an action taken by the CGC)
- Accrediting and designating and overseeing/auditing qualified third-parties to inspect and weigh grain at export locations.
- Investigating alleged violations of the Canada Grain Act.
- Investigating complaints or discrepancies reported by importers.

13.4 Producer Protection within the CGA

In addition to the quality assurance activities of the CGC, the CGC also provides specific protections to producers in relation to binding determination on grade and dockage, payment security and the provision of grain handling information. Under the current Subject to Inspectors Grade and Dockage Determination (STIGD) system, the grain company is compelled to rely on STIGD if requested by the farmer but they are only compelled on actual grade determinants tied to the official grade. The companies are not compelled on non-grade determinants which have become an increasingly important component of the determination of value between grain companies and farmers.

Given the increasing prevalence of non-grade quality factors, like falling number, DON and HVK enhancements to name a few, there does appear to be a gap in the effectiveness of STIGD to balance the interests of the farmer in relation to the grain company. These gaps could be addressed by adding these factors to the STIGD process, although in the case of falling number and DON, another possibility is adding these factors as grade determinants.

The CGC payment security program has experienced changes over the years mostly focussed on reducing program cost while maintaining the same level of producer protection. Today, the cost of the program is estimated to be around \$0.10 per tonne. Ultimately, the cost of the

program must be weighed against the fact that this is an insurance policy to protect against the unknown. In today's environment, most companies in Canada are not publicly traded so farmers are unlikely to be aware of financial issues that could affect payment risk from a grain company until it is relatively late in the game.

Like any insurance policy, the CGC's policy on producer payment protection is a matter of weighing the costs against the risk and implications of grain company failure in the system. While the risk is low, the consequences to farmers caught in a company failure situation are significant and potentially fatal to the farm business. In the absence of the CGC security program, farmers would need to be singularly focussed on their accounts receivable so that they minimize the risk of default on the grains they deliver.

Finally, the CGC publishes many reports that provide transparency regarding the regulatory activities of the CGC as well as grain volumes moving through the grain handling system.

These reports are very transparent and reliable. Farmers' interests are supported by maintaining and expanding reporting that enhances transparency for better decision making both in real time and by using the historical information to assist in policy analysis and development.

13.5 Governance

The Governance of the CGC has been a topic of discussion for many years with many views held by many different interests. These interests are often focussed on who ultimately pays for the costs of operating the CGC or who the CGC has as its core customers. However, regardless of these considerations, it is clear the CGC is owned by the federal government. It exists due to legislation passed by the Parliament of Canada. It is the regulator of the grain handling industry in Canada and changes to the Canada Grain Act or the regulations that exist pursuant to the Act are determined by the Parliament of Canada and the Governor in Council, respectively. As a result, it is logically consistent that the Governor in Council appoints the Board of Directors/Commissioners of the CGC.

There have been suggestions for some time that the CGC governance structure should move to a more formal Board of Directors who appoints a CEO to run the day-to-day operations of the CGC. While this change is easy to articulate, it is more challenging in practice as the principal agent issues (i.e., conflicts in priorities between a Board of Directors and the representative authorized to act on their behalf) that can occur between a CEO and a Board of Directors are well documented in governance literature. Saskatchewan Wheat Pool is often cited as a case study highlighting principle-agent issues in a large organization.

The CGC's current governance structure and particularly the length of the term on good behaviour does protect the organization against the short-term political pressures newly elected governments face from time to time. This protects the overall direction of the organization from short term intense political pressure from interest groups who are pushing for specific change that is meant to enhance their interests. As an organization that acts in the interests of grain producers, it is important that the governance structure ensures that producers' interests are protected from the parties that are meant to be regulated by the Canada Grain Act.

Mercantile Consulting Venture Inc.

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Winnipeg, April 2021

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Executive Summary

The objective of this report is to determine which market information would be most useful to growers, and how best to make it available in a regular and efficient manner. Consideration was given to where data is already collected, and to the manner of reporting.

Section 1 identifies the most important producer data gaps faced by Canadian producers of crops in Western Canada pertaining to crop selection decisions as well as to marketing decisions throughout the year. Criteria affecting crop selection include acreage and production projections and all aspects of crop balance sheets, with an emphasis on generating solid ending stock numbers. Criteria affecting marketing decisions include export projections and export progress as well as sales data and pipeline cost data. Current reporting practices are outlined by major agency: Statistics Canada (STC), Agriculture and Agri-Food Canada (AAFC), and the Canadian Grain Commission (CGC). Mercantile (MCV) has made observations about how various supply chain participants use the reports.

Section 2 identifies who should collect the required data and the desired publishing time frames. A good portion of the data needed currently exists, but much more discipline with respect to quality and timeliness is essential. Other reports need to be re-established or initiated. Principally, following the rationale and the lead of the US program in a more simplified form, a transparent Canadian market model would require the weekly reporting of export sales by Canadian exporters. Such a report would elevate the data gathering above historic data reporting to current data intelligence, and thus has great value to producers who need to assess/understand ongoing market dynamics. This same report should be used for improved calculations of agriculture transportation needs and for assuring that there are sufficient available railcars to an industry which has high-priced commodities to accommodate all export opportunities.

Section 3 discusses data requirements by agency. Mercantile has compiled a list of reports and data that are currently published. This is to ensure that Sask Wheat has the fullest possible picture of what variables are handled in the various reports. These more detailed listings can be found in Appendix 5.

The final section summarizes the report recommendations. Any changes to the current system will require the political will of the government as well as the desire of all the system participants to create an overall more transparent and efficient system.

Introduction

There are three main sources of data – AAFC, Statistics Canada and the Canadian Grain Commission - to support the agri-food system. In this report, we address in considerable detail, what is in those data sources, how they are used and how they serve the agricultural industry. We analyze, from the farmers' perspectives, the data sources' accuracy, timeliness and completeness. Recommendations follow on how to ameliorate the situation.

Historical backdrop:

The Canadian agriculture and agri-food system is a very important, vibrant and growing part of the overall economy in Canada. Domestically, according to AAFC, the agri-food system generated \$111.9 billion of gross domestic product (GDP) and accounted for 6.7% of Canada's total GDP in 2016. It also employed approximately 2.3 million people, representing 12.5% of Canadian employment in 2016, the latest national figure available. GDP in the agriculture and agri-food system grew by 11% from 2012 to 2016. In comparison, the Canadian economy grew more slowly at 7.8% over the same time period. Farm market receipts reached a record high of \$57.6 billion in 2016.¹

In terms of trade, the value of Canada's agriculture and agri-food exports reached \$56 billion in 2016, and with the addition of \$4.2 billion in seafood exports, a total of \$62.6 billion. Canada's agriculture and agri-food sector saw growth in exports and imports in 2016 relative to 2015. On a value basis, it is estimated that in 2016 just over one-half of the value of primary agricultural production in Canada was exported either directly as primary agricultural commodities or indirectly as processed food and beverage products.²

This is impressive data which is showcased on the current AAFC website. However, we note that the latest available data on domestic GDP data is quite old (2016 data), and the regional breakdown of the data is difficult to determine and fails to highlight the even proportionally greater importance of this industry to the Prairies.

Using Statistics Canada data by region³ shows that 'Crop and Animal Production [BS11A]'⁴ alone accounted for 8.4-9.6% of the Saskatchewan GDP between 2013 to 2017 (latest data), which is significantly higher than the Canadian average of 1.53%.

Examination of Statistics Canada export data yields more recent data (to the end of 2020) and further illustrates the importance of agriculture exports to Saskatchewan and, more generally, the Prairies. Agriculture exports make up 'only' 9% of total Canadian exports in 2020, while agriculture exports in Saskatchewan and on the Prairies comprise a considerable 56% of total Saskatchewan exports and 22% of total Prairie exports (See Table 1).⁵

¹ <https://www.agr.gc.ca/eng/canadas-agriculture-sectors/an-overview-of-the-canadian-agriculture-and-agri-food-system-2017>, viewed March 2021.

² <https://www.agr.gc.ca/eng/canadas-agriculture-sectors/an-overview-of-the-canadian-agriculture-and-agri-food-system-2017>, viewed March 2021.

³ Statistics Canada. [Table 36-10-0487-01 Gross domestic product \(GDP\) at basic prices, by sector and industry, provincial and territorial \(x 1,000,000\)](#), accessed March 23, 2021.

⁴ Defined as farm, fishing, and intermediate food products.

⁵ Statistics Canada. [Table 12-10-0144-01 Canadian international merchandise trade by province and country, and by product sections, customs-based, annual \(x1,000\)](#), accessed March 23, 2021.

Table 1: Export Origin Geography by Total Industries and by Crop and Animal Production 2016-2020

Canadian international merchandise trade by province and country, and by product sections, customs-based, annual (x 1,000,000)															
Geography	Total industries					Crop and animal production [B511A]									
	2016	2017	2018	2019	2020	2016		2017		2018		2019		2020	
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	% of Total	Dollars	% of Total	Dollars	% of Total	Dollars	% of Total	Dollars	% of Total
Canada	468,225.70	500,761.42	538,132.79	544,612.31	478,099.71	37,608.12	8.03%	38,445.78	7.68%	39,265.63	7.30%	37,491.47	6.88%	43,232.53	9.04%
Manitoba	13,450.55	13,885.79	15,483.75	15,819.79	15,554.02	3,976.57	29.56%	4,443.47	28.70%	4,425.88	28.45%	4,053.64	25.62%	4,709.96	30.28%
Saskatchewan	26,437.17	28,656.99	30,633.84	29,608.75	30,351.83	14,363.88	54.33%	13,276.47	43.34%	13,355.13	44.00%	12,830.54	43.33%	16,874.73	55.60%
Alberta	79,333.24	100,492.62	117,654.07	117,201.61	91,396.50	6,706.61	8.45%	8,368.82	7.11%	8,299.03	9.08%	7,705.07	6.57%	8,428.69	9.22%
MB-SK-AB	119,220.96	143,035.40	163,771.67	162,630.15	137,302.35	25,047.05	21.01%	64,534.55	39.41%	65,345.68	47.59%	62,080.71	38.17%	30,013.38	21.86%

Source: Statistics Canada, 2021

While this data paints a glowing picture of the agri-food sector, there are questions about transparency and the distribution of returns through the market chain, and what can be done to support this sector to maintain and to enhance the growth path the industry is on.

In January this year, no fewer than five important grower groups specifically identified gaps in marketing information and named the lack of access to that same information through the market chain as a barrier to value creation and growth. The following resolution was passed unanimously by all five grower organisations:⁶

Market Transparency Resolution

WHEREAS wheat producers in Saskatchewan have found significant gaps in information for the marketing of their production;

WHEREAS markets function best when all parties have access to the same information;

WHEREAS Canada currently does not have mandatory export sales data reporting and the greater portion of Saskatchewan producer’s wheat is exported;

BE IT RESOLVED that Sask Wheat work with other commissions and organizations to advocate for the establishment of an Export Sales Reporting Program where all sales over the set minimum volume for wheat, wheat products and other crops, must be reported daily, to be compiled weekly, and released in a timely fashion, to add valuable knowledge to aid producers in the marketing of their production.

Given this, the ongoing Canada Grain Act (CGA) review is now seen as an opportunity to push for improved data and an improved data collection and dissemination schedule.

The lack of market data throughout the supply chain of the Canadian grain industry is not a new problem. It is producers who have borne the brunt of the data gaps and late arriving data for the past two decades. Since the removal of single desk marketing for export wheat and barley (December 2012), and the immense consolidation of the Canadian grain system over the past 40 years⁷, the asymmetry in information between producer and exporter has only grown. In Canada, there is no sales reporting (volume or price), and actual export data arrives with a five-to-six-week delay. This means that the export market dynamics are not readily visible to agricultural producers. At the same time as the Canadian producers are expected to make considered and rational sales and crop choice decisions, they are at a distinct competitive disadvantage to others in the market chain when it comes to information.

In 2014, the Producer Recommendations on the Future of Canada’s Transportation Act by APAS, SWDC, SBDC and SPG stated the following principles for change in items 2 and 4:

⁶ Saskatchewan Wheat Development Commission, Saskatchewan Canola Development Commission, Saskatchewan Barley Development Commission, Saskatchewan Flax Development Commission, Saskatchewan Pulse Growers.

⁷ The number of grain delivery points has fallen from 5,327 Canadian elevators in 1962 to 802 in 2020 (or specifically 2,878 primary elevators in SK in 1962 to 183 in 2020), which led to a reduction in competition. (CGC data extracted February 2021).

- 2) *Market transparency is critical to system efficient performance. - Markets require adequate and transparent information to operate efficiently.*
 - *The identification of information needs, its collection, and dissemination will be critical to future system performance.*
- 4) *Primary grain producers need their interests represented in the design and ongoing operations of the grain transportation system.*
 - *Grain producers represent a unique financial interest in the design and operational effectiveness of our future system that will not be met by other players in the industry.*⁸

Statistics Canada also appears to recognize the need for improved data and information in this important sector for all parties involved in the production and export of Canadian grain by stating on their website the following:

*International commitments recently made by Canada in an effort to stabilize agricultural commodity markets and record high food prices will have an impact on how Statistics Canada collects data. The G20 Agriculture Ministers met in June 2011 and stressed the importance of "better market information that improves transmission of market signals, more open trade, comprehensive rural development and agricultural policies, and sustained investments [that] would enable agricultural producers to increase production, enhance their income and improve global supply of food and food security."*⁹

However, few major changes in the AAFC or Statistics Canada data systems have been implemented since 2011. There have been no basic changes by the agencies to the data on sales and exports or any apparent considerations regarding the timeliness of export data.

There have been a number of comprehensive inventories of all the data gaps in the Canadian system, notably the SJT Solutions report¹⁰. Committees have reviewed and discussed them, but little has been done by government or statistical agencies to implement suggestions or ameliorate the situation.

Rather than restate the overall data gaps, the MCV study will narrow down the data gaps to what the producers (farmers) consider the most critical missing elements and recommend how to implement the changes to make this data available in a regular and efficient manner.

Report structure:

The first section explores a) which data aspects can be used by producers to help maximize cropping decisions: acreage and production projections, crop balance sheets with an emphasis on generating solid ending stock numbers and cost of production data; and b) identifies which data aspects are meaningful to help improve producers' marketing decisions and why they are helpful: export projections, export progress, sales data and pipeline cost data. The second section identifies who should collect the required data and the publishing time frames. Section three aligns existing and potential reporting agencies with the existing gaps to create a proposed data report plan. The final section summarizes the report recommendations.

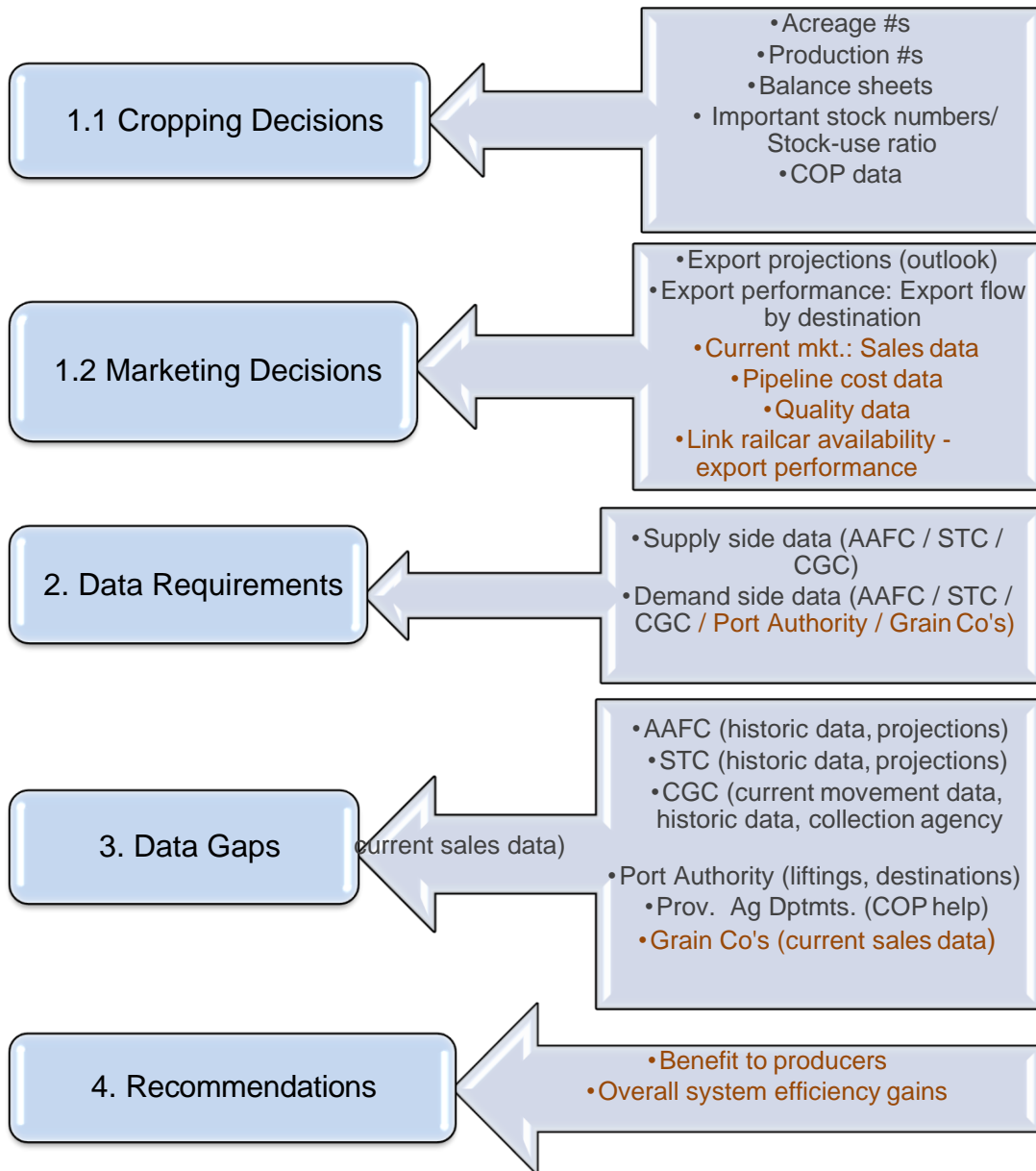
MCV has provided the following graphic to summarize the report structure. We hope that it helps you to navigate the text.

⁸ APAS, SWDC, SBDC, and SPG. (2014). *Producer Recommendations on the Future of Canada's Transportation Act*.

⁹ Ministerial Declaration: "Action Plan on Food Price Volatility and Agriculture," Meeting of the G20 Agriculture Ministers, (Paris), June 22-23, 2011. p. 2. http://un-foodsecurity.org/sites/default/files/110623_G20_AgMinisters_Action_Plan_Agriculture_Food_Price_Volatility.pdf (accessed to June 4, 2012).

¹⁰ SJT Solutions, Strengthening Canada's Agricultural and Agri-Food Business Data Systems – Final Report, March 31, 2016.

Study Schematic Report Outline



1 Most Important Producer Data Gaps

To quote a paper published by the FAO in 2017¹¹:

“All actors involved in agricultural value chains can theoretically benefit from an improved Market Information System (MIS). Farmers can use market information to decide to whom to sell and at what price, plan their production and harvest and, in some cases, select the optimal market channel. The availability of market information should facilitate negotiations with traders. As for agricultural traders, improved MIS provide support in making efficient decisions on where to trade. MIS also provide fundamental inputs into assessments of food security and enable issuance of early warnings of impending problems, as they can help to identify areas of possible shortage and signal whether prices are below or above seasonal trends.”

The focus in this paper is specifically on data gaps faced by Canadian producers of crops in Western Canada. Mercantile has split the data requirements important to farmers’ decision making into two categories:

- a) Data pertaining to crop selection decisions, and
- b) Data relating to marketing decisions.

1.1 Cropping Decisions

Under cropping decisions, we discuss acreage numbers, production numbers, balance sheets, important stock numbers and stock-use ratio plus cost of production data.

1.1.1 Acreage & Production Numbers

The basic data elements required to help farmers with their cropping decisions are the acreage projections and the production numbers. The relevant agency reports are listed in Appendix 1.

- a. Acreage projection by crop & confirmation of acreage after seeding
 - projections are most useful well before seeding
- b. Production estimates (numbers)
 - projections are most useful well before harvest

Timely *acreage projections* are an essential starting point of the new crop supply and demand calculation that comprise each crop’s balance sheet. **AAFC** balance sheets are available online, and AAFC publish their first new crop projections by crop **annually in their January issue** of the ‘Outlook for Principal Field Crops’ report. The AAFC acreage numbers give a first glimpse of new crop acreage expectations, mostly based on export performance by crop and export price development. The projections also include supply side projections (acreage, yield, production, import numbers), as well as demand side projections (cumulative exports, domestic use numbers). The exports are not broken down by import region nor destination.

¹¹ Food and Agriculture Organization of the United Nations, Building Agricultural Market Information Systems: A Literature Review, Rome 2017; http://www.amis-outlook.org/fileadmin/user_upload/amis/docs/resources/building%20amis%20lit%20review.pdf

These numbers are reviewed on a monthly basis. A major problem identified is the number and size of revisions throughout the year; see recent examples shown on page 10. The acreage projections are also the first important input to new crop ending stock projections discussed below.

Statistics Canada currently does provide *acreage projections* by crop starting with the March 'seeding intentions report' (published in April). Note that at time of publication, crop planning has long been concluded and seeding is underway or imminent. The March seeding intentions report is followed by the *July production estimates* (published in August), and the Model-based production estimates (published in September). The final November production estimates are published in early December. The discrepancy in acreage and production numbers between reports and the number of corrections can be quite high.

To be of use during the crop planning cycle, acreage projections must be accessible well before seeding. To be of use while planning the marketing cycle, production data should be available well before harvest.

1.1.2 Crop Balance Sheets

AAFC currently publishes monthly balance sheets for the following crops: wheat, durum, wheat excluding durum, barley, corn, oats, rye, canola, flaxseed, soybeans, peas, lentils, dry beans, chickpeas, mustard seed, canaryseed and sunflower seed. New crop projections are first published in the January edition of their report.

AAFC export projections are limited to overall export numbers by crop for the crop year without any breakdown even by major destinations. A breakdown of exports by destination would make it much easier for farmers to monitor the export progress throughout the crop year (via the monthly Statistics Canada export statistics) and to identify and isolate potential problem areas. The ability to easily download 10-year export data by destination would enable farmers to discern trends and changes as they occur.

Domestic use data deserves more scrutiny, especially for commodities with formalized domestic use, like canola (via crush), wheat (flour milling), peas (fractioning), barley (malt), and for feed grains (barley, peas, wheat, etc. feed compounding). As value added manufacturing increases in Canada/ on the Prairies, this also becomes more important. Current domestic use numbers leave the impression as being used as a slush fund for adjustments throughout the crop year.

Similarly, ending stock data can be extremely important to farmers' decisions (see examples below), and need to be as accurate as possible. Due diligence to generate these numbers should be a priority.

The relevant agency reports and are listed in Appendix 1.

- a. Production and supply data
 - i. New crop acreage projections
AAFC currently issues this data by crop in January.
 - ii. Historic data – to discern trends
Has recently been made available on the AAFC website in form of the G002 & G003 downloadable reports
- b. Export data
 - iii. New crop export projections by crop are shown only as overall exports, no breakdown by country is available

- iv. A breakdown of the overall export number by destination will be helpful to monitor export progress through the crop year by matching it with more timely monthly Statistics Canada export data by destination.
- c. Domestic use data
Currently is not vetted
- d. Ending stock projections
These vary too much throughout the year to be used as meaningful decision points by producers.

1.1.3 Importance of Stock Numbers

The decision of which crops to cultivate depends on a number of variables ranging from soil type, water availability, rotations to the market outlook for the various crops. For the purpose of this paper the focus is on factors that determine the basic supply and demand outlook for each crop - the market “fundamentals”.

The data on fundamentals, if well researched, generates valuable information on relative crop scarcity by showcasing an ending stocks number for each commodity. This is after accounting for supply (production + carry-in + imports) against demand (export and domestic demand).

Specifically, given the exceptional ability of farmers to store crops in Western Canada and barring cash-flow considerations, relatively low stocks and low stock-use ratios are the main input to the decision to store commodities after harvest in anticipation of potential price increases. Conversely, high stocks or stock-use ratios may persuade farmers to sell early as oversupplied markets have a much smaller chance to run up. Stock numbers are thus an important indicator of relative scarcity and deserve a lot of scrutiny before publication but are currently subject to regular and significant revisions.

Here are two examples taken from the current crop year to illustrate this point.

Canola: This crop year (2020/21), AAFC projected canola ending stocks for the ‘20/21 crop at 2.3 mln mt as late as November 10, 2020 (10.5% stock-use ratio), while the AAFC February ‘21 canola ending stock number dropped to only 700k mt (31% of the earlier stock number; 3.3% stock-use ratio). The first number indicates a balanced supply-demand situation, while the latter indicates a severely undersupplied market situation. By showing a balanced market into the winter, AAFC may have significantly contributed to producers’ decisions to deliver more than 10 million mt of canola into the handling system by the end of December 2020, thus missing most of the price increase after harvest. Canola futures increased from \$470/mt in late August, to \$500/mt in early September, to \$569/mt late November, to \$776/mt in early March. Had growers sold 5 mln mt of their stocks at a later date instead, farm earnings would have gained an additional \$1 billion assuming an average gain of \$200/mt.

Wheat: AAFC projected 5.7 mln mt wheat ending stocks for ‘20/21 crop wheat as late as January 25, 2021, while the February ‘21 ending stocks estimate dropped to only 4.9 mln mt (86% of the earlier stock number). More than 11.3 million mt of wheat (excl. durum) had already been delivered by growers into the handling system by the end of January 2021, thus missing some of the price increase after harvest. Spring wheat futures increased from US\$5.20/bu in mid-August, to US\$6.36/bu on March 10th. That is a gain of up to C\$54/mt. Had growers sold 3 mln mt at a later date instead at an average gain of \$30/mt, farm earnings would have increased by an additional \$90 million.

At the present time, much of the basic supply side of the data necessary for the cropping decisions is already being generated by Statistics Canada and AAFC. Demand side data is presented in form of overall estimates by commodity for export and domestic use, but there seems to be a lack of appreciation as to how important these projections can be to the decisions made by farmers.

The lack of timely and quality market intelligence can lead to suboptimal resource allocation and to missed opportunities by producers, but given the importance of agriculture in the West, it also greatly affects the overall economic performance. According to the latest data from Statistics Canada, Canadian agricultural crop production in 2017 had a total output multiplier of 1.84, one of the largest across major Canadian industries.¹² This means that every \$1 of additional output generated by Canadian crop production creates an additional \$0.84 of gross revenue for the economy. Across the Western Prairies, 2017 output multipliers for crop production are 1.86 for Manitoba, 1.83 for Saskatchewan, and 1.77 for Alberta.¹³ The total Canadian industry output multiplier in 2017 was 1.94.

While the output multiplier is sometimes criticized for double inputs, GDP multipliers show the increase in overall output given a change in output in an industry. For example, according to Statistics Canada, the GDP multiplier for Canadian crop production in 2017 was 0.93. This means that every \$1 million increase in output of Canadian crop production results in a \$930,000 increase in GDP. From 2010 to 2017 the Canadian crop production GDP multiplier has been relatively stable, and it would be safe to assume that it is currently around 0.90. According to Statistics Canada, GDP multipliers across the Western Prairies for 2017 were 0.96 in Manitoba, 0.90 in Saskatchewan, and 0.93 in Alberta. Now imagine the forgone GDP to the Canadian economy given the fact that farmers may have lost more than \$1 billion due to the lack of quality data available to them.

1.1.4 Cost of Production Data (COP)

Cost of Production (COP) calculations are important when conducting return per acre comparisons between commodities during the crop selection process. Provincial agriculture agencies publish annual templates for COP calculations, which along with the growers' own data should allow for a detailed COP analysis.

Each cost of production report for the respective province is issued in January of the upcoming growing season. The appropriate links are listed in Appendix 1.

1.2 Marketing Decisions

Producer marketing decisions for any particular commodity are based on the farmer's perception of the depth of demand relative to supply (balance sheet), and on the pace of sales. In the past, futures markets were seen as interpreting the fundamental information across the marketplace, and as offering an opportunity to hedge production. But in recent years, increasing volatility of futures markets, amplified by Fund participation and increasingly driven by algorithms, has led to a frequent divorce of futures moves from fundamental signals.

This development has made it harder to use futures markets as an information and hedging tool. There are also more commodities being grown that have no futures markets backing (pulse crops

¹² Statistics Canada. [Table 36-10-0013-01 Input-output multipliers, summary level](#).

¹³ Statistics Canada. [Table 36-10-0113-01 Input-output multipliers, provincial and territorial, summary level](#).

and special crops). These developments make input on the timing of sales of the crops produced through the marketing year all the more important. In fact, getting the timing right generally is the decisive factor between profitability or deficit for primary producers.

To judge the depth of overall demand and the speed of export movements, farmers need regular and timely access to sales and export data. Access to such data does nothing more than put producers on an equal footing with the rest of the commodity chain. Their buyers, grain companies and processors, already have access to this data as they are involved in volume buying (as opposed to individual farm sales) and the processing or movement of grain. Indeed, the US Export Sales Reporting program was partially based on the notion that

*“there was growing concern that some companies might have an unfair advantage in situations like this because they had access to market-sensitive information that was unavailable to the public.”*¹⁴

The US program has been in place since 1973 and is thought to help facilitate price stability by guaranteeing that everyone has access to the same information at the same time.

To support effective and efficient decision making by producers in Canada, the following data must be made available regularly and in a timely fashion: *export projections, export flow by commodity, actual sales data, pipeline cost data (annual), quality data. And linking crop and export flow projections with railcar availability to the Ag Industry will enhance export performance.*

1.2.1 Export projections

The monthly **AAFC** reports provide market information and analyses on the current situation and outlook for Canadian principal field crops, including grains, oilseeds, and some pulse and special crops. AAFC publishes overall export projections with their monthly balance sheets. The first new crop projection comes with the January report. There is no breakdown of the export projection number by destination.

1.2.2 Export Flow by commodity by destination

Currently available are monthly *export by destination* reports for each crop issued by **Statistics Canada**. Unfortunately, these reports are issued five-to-six weeks after completion of the shipping month, so they say very little about the ongoing market activity.¹⁵ Given improvements to data collection technology, we recommend that the export data by destination be issued within 5 days of the month-end, which will be a significant improvement to this data. Bill of Lading data could be used for preliminary numbers.

Until 2012, the **Vancouver Port Authority** issued a weekly report on export loadings by commodity and by company, as well as indicating the destination of the vessels loaded. This data was significantly timelier than the Statistics Canada export data, as it showed the actual commodity flow as it occurred. The report was discontinued after the CWB was dismantled. The grain companies owning the facilities in the Port of Vancouver chose to no longer support the report. A reinstatement of the old report would significantly speed up the information flow on export loadings.

¹⁴ FAS. (2006). Fact Sheet, USDA's Export Sales Reporting Program: Provides Markets with an Early Alert, p.1 ¹⁵ CIMT. (2021). 2021 Release Dates, <https://www150.statcan.gc.ca/n1/en/release-diffusion/2021-eng.pdf?st=t4ADWMIF>, viewed March 2021.

1.2.3 Actual sales data

According to the FAO, one can differentiate between “current” market information, which meets the immediate commercial needs of farmers and traders and “historical” information which, when analysed, can be used for planning purposes by farmers and policy makers¹⁶. Export data only tells the demand story well after that demand materialized, because the sales execution generally happens well after the sale date. To get an idea about ongoing, or current demand, sales data is necessary. To their collective benefit, the US recognized the necessity for all parties involved in the production and export of U.S. grain to have access to up-to-date export sales information when Congress mandated the Export Sales Reporting program in 1973.

The USDA system works for the benefit of the whole market chain. The USDA Export Sales Reporting system provides information on sales on a daily and weekly basis. Created in 1973 in response to the 1972 great Russian grain robbery, the Export Sales Reporting Program was implemented specifically to combat the asymmetry of information between exporters and producers. The Program provides timely information on the level and location of the demand for US agricultural goods. It can be used as an indicator on the competitiveness of US products on the world market, as well as give information on the effect of foreign demand on the domestic supply and prices of agricultural commodities.¹⁷

Following is some basic detail on the workings of the USDA program. The Export Sales Reporting program provides daily data on the amount and location of large sales (100,000 mt or more) to a destination and large cumulative sales (200,000 mt or more over a reporting period) to a single destination of most major US agricultural products. Exporters are required to report the type, class, quantity, marketing year of shipment, and destination (if known) of the commodities to be exported. Daily sales are reported in the afternoon of the day after the sale is made. Summaries are then sent out the next business day morning. Anyone can access or subscribe to these reports on the FAS website free of charge.

FAS also releases a compiled weekly report of the amount and destination of all major US agricultural goods on a weekly basis. The report is published each Thursday morning on the FAS website.

Historical weekly sales data can also be found on the FAS Export Query System. The Export Query System is a user-friendly tool to query historical data, see performance indicators, and generate graphs.

Commodities included in the Export Sales Reporting Program were chosen through consultations between the USDA, commodity group organizations and traders.¹⁸ The US Secretary of Agriculture has the power to add commodities to the list of those covered. The Export Sales Reporting System is administered by the Foreign Agricultural Service (FAS) of the USDA under the oversight of the FAS. Authority is granted in section 602 of the Agriculture Trade act of 1978 and Trade Act 1990. The Sales Reporting System is governed by the FAS Administrator who has the authority to make amendments and revisions to the reporting requirements.¹⁹ Exporters are required to fill out the

¹⁶ FAO, The Role of Market Information, <http://www.fao.org/3/AB795E/ab795e02.htm>, viewed March 2021.

¹⁷ FAS. (2006). *FACT SHEET: USDA's Export Sales Reporting System: Early Alert System*. United States Department of Agriculture (USDA) Foreign Agricultural Service. <https://apps.fas.usda.gov/export-sales/FACT%20SHEET.pdf>, Retrieved on [2021-03-07].

¹⁸ The Export Sales Reporting Program currently includes the following commodities: Wheat, corn, barley, sorghum, rice, soybeans, soybean cake and meal, soybean oil, cotton, hides and skins, beef, pork.

¹⁹ GPO. (2021). *Part 20 – Export Sales Reporting Requirements*. National Archives and Records Administration (NARA) Government Publishing Office (GPO). <https://www.ecfr.gov/cgi->

applicable forms (sources of data are shown in Appendix 2) and submit the sales data promptly. Should the exporter fail to report the required information, they could be fined up to \$25,000, receive up to one year of jail time, or both.²⁰

The USDA's FAS meets with exporters to check the accuracy and reporting practices. In addition to this, exporters are required to provide quarterly contract information to verify the accuracy of the reported data. Discrepancies are resolved via a memorandum of understanding with USDA's Grain Inspection, Packers and Stockyards Administration.

Additionally, the USDA makes a searchable database accessible. The Global Agricultural Trade System (GATS) is a division of the FAS. GATS is a searchable trade database that includes trade data on a wide variety of agricultural, fish, forest, and textile products.²¹ GATS contains monthly, quarterly, annual, or bi-annual data on exports and imports with all US trading partners on a national, state, and customs district level. The data is updated monthly and can be queried by value and quantity.

The Canadian situation: While Statistics Canada does report export shipments by commodity and by destination (albeit late), there currently is *no* commodity sales report available in Canada. Following the rationale and the lead of the US program in a simplified form, a transparent Canadian market model would require the weekly reporting of export sales by Canadian exporters. As a reminder, this would *not* be this first time that a sales reporting system for grain was implemented in Western Canada. Before the Grain Transportation Agency (GTA) was disbanded in 1996, grain companies reported their sales by crop to the agencies on a weekly basis to help coordinate the car allocation process.²²

Daily and weekly reporting should be required for certain 'reportable commodities' including wheat and wheat products, durum, rye, oats, corn, canola, soybeans, flaxseed, mustard seed, barley (malting barley & feed barley), pulses (peas, lentils, chickpeas, beans), canaryseed.²³

Daily reporting on large export sales of certain commodities can be defined as minimum 10,000 mt for grains and oilseeds (as this would include wheat sales to Japan), and a minimum 5,000 mt or more for pulses and special crops of one commodity in one day to a single destination.

Weekly reports would show cumulative sales for the week by commodity and end destination.

We note that sales must be reported to a neutral party which administers the program in terms of data dissemination and verification of the data. Company names and sales prices are not disseminated. A compromise might also be to only show cumulative weekly sales.

The CGC should be well placed to spot check the sales data given by the companies based on its role of providing quality assurance and by terminal elevator receipts in the ports and linking it to

bin/retrieveECFR?gp=1&SID=0334adcd2c434b32227f13bfd7c55065&h=L&mc=true&r=PART&n=pt7.1.20#se7.1.20_12, Retrieved on [2021-03-11].

²⁰ GPO. (2021). *Part 20 – Export Sales Reporting Requirements*. National Archives and Records Administration (NARA) Government Publishing Office (GPO). https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=1&SID=0334adcd2c434b32227f13bfd7c55065&h=L&mc=true&r=PART&n=pt7.1.20#se7.1.20_12, Retrieved on [2021-03-11].

²¹ GATS. (2021). *GATS Home*. United States Department of Agriculture (USDA) Global Agricultural Trade System (GATS). <https://apps.fas.usda.gov/GATS/default.aspx>, Retrieved on [2021-03-07].

²² Seguire, M., for Transport Canada, Grain Transportation and Logistics in Western Canada: Evolving Allocation Process, 2005

²³ This follows broadly the listing used in the Grain Monitor Report on the Canadian Grain Handling and Transportation System; see Appendix 3.

contract data. The CGC is a neutral member which already is active in the grain handling system and already is privy to much of the information needed.

Mercantile recommends the following data be made available:

- i. Daily reporting on sales tonnages by destination based on the min. tonnages outlined above. Sales tonnages to be reported by the seller within 5 days of conclusion of contract. The seller's identity will not be reported.*
- ii. Cumulative weekly tonnage sold by destination based on the tonnages outlined above. This will protect the name of the seller(s) while divulging the overall size of demand and where the demand is coming from.*

1.2.4 Pipeline cost data (annual)

There are other areas where improved data will help with overall transparency. Importantly, knowledge about actual elevation costs at the primary elevator levels as well as the terminal elevator and average rail transportation costs will enable farmers to translate international market prices to the farm level equivalent. This tells producers how closely elevator bids are reflecting international prices.

Understanding pipeline costs is vital to interpreting international market signals, translating them to the domestic market situation and then assessing the relative competitiveness of these elevator bids. In fact, knowing basic pipeline data is a prerequisite to understanding how Canada is faring in export markets. In the past, when Canada still had public export elevators in port positions, it was easy to determine the costs of elevation. Today, the fobbing rates shown by CGC represent maximum charges by elevator companies and are not representative of actuals.

The USDA addresses this challenge by making resources available to producers in a regular and easily accessible fashion. The Agricultural Marketing Service (AMS) actively seeks to create “domestic and international marketing opportunities for American farmers”²⁴ via their Market News service and their Transportation and Marketing Program. Market News is a free source providing price and sales information including wholesale, retail, and shipping data.²⁵ The Transportation and Marketing Program reports the cost of transportation and the quantity of agricultural goods in transit. The data provided includes train transport costs, price spreads between US point of origin and export positions, rail deliveries, barge movement, grain inspections, vessel loading, and more. A table with a complete list of the products offered can be found in Appendix 2. The data sources listed in Appendix 2 are used in the weekly Grain Transportation Report (GRT). The GRT reports all things affecting grain transportation both domestically and globally, including the volume and prices of barge, rail, truck, and ocean freight.²⁶

In Canada, with deregulation of rail movement and the changes to the CWB, it has become increasingly difficult to ascertain even basic intelligence about the pipeline. Major pipeline cost components, such as average multiple car or unit train freight rates from major delivery points to port, or such as handling and fobbing costs in the interior and in port position, are very hard to

²⁴ AMS. (2019). *Creating Opportunities for American Farmers and Businesses*. United States Department of Agriculture (USDA) Agricultural Marketing Service (AMS). https://www.ams.usda.gov/sites/default/files/media/AMS_Fact_Sheet_2019.pdf, Retrieved on [2021-03-07]. ²⁵

AMS. (2019). *Creating Opportunities for American Farmers and Businesses*. United States Department of Agriculture (USDA) Agricultural Marketing Service (AMS). https://www.ams.usda.gov/sites/default/files/media/AMS_Fact_Sheet_2019.pdf, Retrieved on [2021-03-07].

²⁶ AMS. (2021). *Grain Transportation Report*. United States Department of Agriculture (USDA) Agricultural Marketing Service (AMS). Retrieved on [2021-03-05].

ascertain. Most rail rates are based on special agreements between the rail companies and the grain handlers (as they are in the US). Even if a producer manages to look up single car rail rates from major delivery points to terminal elevator destinations, these will not reflect average multiple car rates, unit train rates, or High-Efficiency-Product train program rates (CP).

Pertaining to grain handling costs, fobbing rates are only listed as 'maximum tariffs' on the CGC website. The CGC currently lists primary, process and terminal elevator tariffs by company. But these are maximum tariffs and do not reflect actual costs. We also observe that the published maximum rates are used by Canadian elevators to make it expensive for growers to cancel grain sales to a company.

This means that producers can only guess at the actual costs involved.

*Mercantile proposes that **Quorum Corporation** publish annual indications of 'average rail freight rates' within their role as the "the monitor for the prairie grain handling and transportation system".²⁷*

Mercantile also proposes that the CGC make average fobbing costs, both at primary and terminal elevators, visible to growers. This will help producers, policy analysts, Government agencies and politicians to understand and assess the true costs of the system.

- i. *Transportation cost data*
Publication of average 112 car rail rates, not single car rates
- ii. *Handling/ fobbing costs (not MAX. tariffs)*
Knowledge about the actual cost of elevation is generally based on experience

1.2.5 Price data

While data on export prices achieved would complete efforts at market transparency, price data tends to be the hardest data to obtain from export companies due to 'competitive issues'.

An observation on price data:

In Canada, within the theme of price transparency, we can distinguish between crops where Canada is dominant in the international trade context, and crops where Canada is a price taker.

We define crops with market power as those which have a significant market share internationally, so that the Canadian fundamentals matter materially to the overall market. In this case, Canadian exporters tend to be price setters. Canadian durum, with a 40-45% market share in international durum trade is a good example. Other Canadian crops with a significant market presence include canola, peas, lentils, flaxseed, and canaryseed. For these crops, the availability of Canadian sales data is especially important, because other origins tend to follow the Canadian lead as international data is less determinant.

Crops where Canada is a price follower are those where the Canadian share in international trade is moderate, and where Canadian crops need to compete with more dominant players. Wheat (excl. durum) is a good example. In recent years, the Canadian market share of the international wheat trade has diminished to only 11-12%. Canada tends to be the price taker in the wheat market; and depending on the destination, Canadian wheat competes with US, Argentine, Australian, Black Sea and EU wheat. Canada is a relatively minor player in the international markets for soybeans, corn and barley. Ironically, it is easier to detect export price levels for the price taking crops by using reported values of other origins. For example, US PNW wheat prices (available on the Internet) are a good proxy for wheat export values in Vancouver.

²⁷ http://www.quorumcorp.net/about_us.html, accessed March 2021.

This actually means that it might be more significant to publish price data for crops where Canada is dominant in the markets than for crops where Canada is a price taker.

Price data categories:

- a. Crops with Canadian mkt power in global context
Durum wheat (~45% global mkt presence), canola, peas, lentils, flaxseed, canaryseed → domestic price data availability is more important
- b. Crops that are 'price takers'
Wheat (~12% global mkt presence), corn, soybeans, barley
→ price data may be found elsewhere

1.2.6 Quality data

If published in a timely fashion, quality data can be used constructively by farmers as an additional indicator for depth of demand. A prime example is for crops, such as canola and peas, that are being processed into major components. If the oil content of the canola crop is relatively high, then the demand for canola is inevitably higher. This is especially true when vegetable oil prices are high relative to meal, as this will drive demand towards an oil dominant crop like canola, and away from a meal driven crop, like soybeans. Likewise, we expect that the protein content of peas and other pulses will become equally important as the pulse fractioning industry evolves in Canada.

The CGC collects and publishes grain quality data as part of their harvest sample program. Producers in the Western Prairies can voluntarily send harvest samples to the CGC for analysis. For wheat, once enough samples have been analysed, the CGC publishes harvest quality data on a weekly basis (usually starting mid-September). The final quality report for all major Canadian grains is posted in January.

1.2.7 Link between railcar availability to the Agriculture Industry and export performance

The 2020/21 crop year may be the perfect year to again discuss the relationship between overall export volumes of agriculture products and railcar availability to the industry. In 2020/21, as exports from other industries like coal and crude oil were reduced during the Covid-19 pandemic, railcar availability for agriculture products increased significantly.²⁸ As exports for other commodities dropped, rail operators directed more rail capacity towards agriculture, and agriculture exporters responded by utilizing the additional capacity.

According to week 32 CGC data²⁹, crop year 2020/21 agriculture exports have increased by an impressive 35%, or 8.8 million mt during the first 32 weeks of the ongoing crop year relative to the previous crop year. Assuming an average value of \$400/mt, this represents an additional \$3.5 billion in the hands of farmers instead of locked away in bins. Consider how this will improve the GDP and export data for 2020 and 2021 shown in the introduction.

²⁸ Media reports about transportation repeatedly talked about the slowdown in coal and crude oil exports over the past year. Mercantile attempted to detail recent developments in rail movement by commodities, including coal, crude oil, fertilizer into 2020, but was unable to do so using Transport Canada data (only show data into 2018). Mercantile contacted Quorum Corporation, which could not confirm the breakdown by commodities beyond grain into 2020 “due to reporting differences between the rail companies”.

²⁹ Canadian Grain Commission, Grain Statistics Weekly, 2020-21, Week 32, March 14, 2021

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Canadian Grain Exports (CGC numbers)	Wk. 32				
(/000 MT)	Canola	Wht. & Durum	Peas (bulk)	Lentils (bulk)	All Grains
Crop Year To date	7,551	15,841	1,950	648	34,096.0
Year Ago	5,778	12,337	1,591	547	25,331.0
Change this Cr.Yr. in MT	1,773	3,504	359	101	8,765
Change this Cr. Yr. in Percent	131%	128%	123%	118%	135%

Source: Mercantile based on CGC data

Canada is unique among major exporters in that it is almost exclusively dependent on rail movement to get agriculture exports to tidewater. There are no big navigable rivers or canals, and trucking huge distances is inefficient and costly. At the same time, Canada is heavily dependent on the export market since our domestic usage is relatively small compared to many other exporters. About 55% of our crop production is exported.

However, agriculture exports in Canada have long suffered from the fact that limited rail capacity has actually curtailed sales and exports, because shippers could not be sure they could move commodities reliably and in a timely fashion into export position. For example, commercial stocks in Western Canada are generally reported at around 7 mln mt at any time against about 1 million mt weekly movement, so there always is enough grain to load. The bottleneck is the rail movement. From the point of view of food security and ending stocks, there is no reason to carry more than 2 months of usage at the end of the crop year, as new crop production always exceeds domestic use. This ongoing crop year, rail capacity available to agriculture was raised, and total agriculture exports expanded very significantly indeed.

The link between rail capacity available to agriculture and overall ag exports achieved requires some attention in order to maximize the returns to agriculture and also to maximize the economic returns to Canada. The underlying problem is that rail capacity is a scarce resource within Canada with no viable alternatives for the users, while at the same time the 'scarce resource' allocation is based on relatively narrow decision dynamics as opposed to broad national objectives.

Given that our main rail operators, CNR and CPR are private corporations, the railroad operators naturally allocate this resource based on narrow railroad balance sheet and shareholder considerations. This may lead to rail capacity allocation decisions that are not optimal from a national point of view. For example, coal (a rival to agriculture for rail capacity) is currently valued at US\$95/mt. This compares to \$772/mt of canola in SK (~US\$617/mt, ~6.5 times the value of coal). From a rail point of view, if coal fetches \$1/mt more in rail freight, the railroad is acting rationally by preferring to move coal over canola. This is especially true because coal is moved from a limited number of origin points to port and generates a higher revenue for the company. But from the point of view of the overall Canadian economy, there is no question that the much higher valued canola should be moved first. Currently there is no mechanism to address such an imbalance or to consider the national interest.

MCV recommends that, at minimum, improved, timelier, and more transparent sales data reflecting ongoing agriculture industry activities must be used for improved calculations of agriculture transportation needs and to assure that there are sufficient railcars available to an industry with high priced commodities to accommodate all export opportunities.

An additional consideration should be that agriculture commodities are renewable resources, while coal and crude oil are and non-renewable resources.

Data required for improved agriculture export – rail capacity coordination:

- a. AAFC/ Statistics Canada production projections (annual)
Determine overall volume expectations and link to railroad capacity dedicated to agriculture exports

- b. AAFC/ Statistics Canada export projections (annual & monthly)
Link export projections by corridor to railroad capacity dedicated to ag exports
Refine/ adjust rail capacity targets monthly
- c. Weekly sales reports (possibly administered by CGC)
Data gives an actual snapshot of upcoming transportation requirements, versus working exclusively with historic data. This will help prevent major shortfalls and help coordinate and gear up for high export commitments.

Using improved and more timely production, export and sales data, should allow for better planning and a more proactive handling of the rail transportation issue. The idea is that rail supply should not be a determinant factor to supply and demand and the export volume of Canadian crops. If successful, it would enable the agriculture industry and the overall economy to maximize overall returns to agriculture production.

Mercantile proposes that rail car availability be tied to a scale that represents the best GDP results for Western Canada. We also believe that the total production capability and export potential for Western Canada can only be determined when cars ordered are provided without restriction.

Incidentally, Mercantile is not alone in this assessment. To quote Quorum Corporation (Government appointed Grain Monitor) from their 2014 Supply Chain study:

“Improving the visibility and transparency of the Canadian grain supply chain would empower supply chain members to optimize their transportation and logistics strategies by proactively identifying potential or current bottlenecks in the systems and planning their operations accordingly. Improved performance measures and supply chain processes would support more accurate forward planning and provide early indications of when and where the supply chain may be weakening.”³⁰

2 Data Collection & Publishing Time Frames

In this section we identify who should collect the data and the publishing time frames. Table 2 summarizes the data requirements discussed above.

³⁰ Quorum Corporation: Grain Supply Chain Study – Final Report, Sept. 2014, p. 12

Table 2: Data Requirements: current and ideal (with comments)

Data Requirements		Timing of reports:												Comments:				
		January	February	March	April	May	June	July	August	September	October	November	December					
Data points needed:																		
Supply side:	Acreage projection	current: AAFC													StatsCan		Quality needs to improve Add destination breakdown; Jan.-AAFC	
		ideal: AAFC													StatsCan			
	Production numbers	current:													StatsCan	StatsCan	StatsCan (final #'s)	Finalize earlier
		ideal:													StatsCan	StatsCan	StatsCan (final #'s)	
Ending stocks	Ending	current: AAFC	AAFC	AAFC	AAFC	AAFC	AAFC	AAFC	AAFC	AAFC	AAFC	AAFC	AAFC	AAFC	AAFC	AAFC	AAFC	Quality needs to improve
	stocks	ideal: AAFC	AAFC	AAFC	AAFC	AAFC	AAFC	AAFC	AAFC	AAFC	AAFC	AAFC	AAFC	AAFC	AAFC	AAFC	AAFC	Monthly; need to be >> accurate March, July, December stock numbers Improve timing.
Demand side: Exports-overall numbers		current: AAFC																
		ideal: AAFC																
Exports-by destination		current:																Occur monthly, but with ~ 2mos. delay
		ideal: StatsCan	StatsCan	StatsCan	StatsCan	StatsCan	StatsCan	StatsCan	StatsCan	StatsCan	StatsCan	StatsCan	StatsCan	StatsCan	StatsCan	StatsCan	StatsCan	Publish within 5 days of mos.-end
Domestic use		current: AAFC	AAFC	AAFC	AAFC	AAFC	AAFC	AAFC	AAFC	AAFC	AAFC	AAFC	AAFC	AAFC	AAFC	AAFC	AAFC	Monthly; need to be >> accurate
		ideal: AAFC	AAFC	AAFC	AAFC	AAFC	AAFC	AAFC	AAFC	AAFC	AAFC	AAFC	AAFC	AAFC	AAFC	AAFC	AAFC	
Grain Handling data-wkly.		current: CGC																Continue; add directional rail movement back in
		ideal: CGC																
CGC grain exports- monthly		current: CGC	CGC	CGC	CGC	CGC	CGC	CGC	CGC	CGC	CGC	CGC	CGC	CGC	CGC	CGC	CGC	Continue
		ideal: CGC	CGC	CGC	CGC	CGC	CGC	CGC	CGC	CGC	CGC	CGC	CGC	CGC	CGC	CGC	CGC	
Port load data-weekly		current: n/a																Need requirement that Gr.Co's report loadings by dest'n; reported in past to Port Authority & GTA
		ideal: Port Auth.																Re-establish wkly. load data by ports
Actual Sales-daily		current: n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	CGC has access to weigh/ B/L data
		ideal: CGC (>mt)																
Actual sales-weekly		current: n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	CGC has access to B/L data
		ideal: CGC (>mt)																
Other: Rail cost data (annual)		current: n/a																Annual in January
		ideal: Quorum																
Handling Costs (annual)		current: n/a																Annual in January Annual
		ideal: CGC																
C O P tables		current: Prov. Ag.																in January
		ideal: Prov. Ag.																
Areas where improvement needed.																		

Source: Mercantile Consulting Venture, 2021

A good portion of the data needed exists today, but much more discipline with respect to quality and timeliness is essential. This applies specifically to the quality of **AAFC** projections (export and domestic demand and the resulting ending stock estimates), as well as to the detail of the data (exports by destination).

Statistics Canada data must also become timelier. Production estimates might be moved up by a month, and with the help of current technology, export statistics should be published within five working days of month end.

The much-utilized weekly **CGC** handling data must be continued, and the portion of the data showing directional rail movement (in transit data by commodity) that has been discontinued over the past year, must be reinstated. Monthly CGC export data by destination should also remain available to growers, as it is presented in an easier-to-use fashion than Statistics Canada data.

The reports highlighted in the grey area (see Table 2) need to be re-established or initiated. Vessel load reports were previously issued on a weekly basis by the **Vancouver Port Authority**, and there is merit in restarting the report. It showed actual load data, which is more timely than past exports. This report likely necessitates a reporting requirement for the grain companies loading in the port. The Port Authority could be required to assemble the commodity load report. The destinations of the loaded vessels should be indicated.

Daily and weekly sales data should be established as outlined above.

This report elevates the data gathering above historic data reporting to current data intelligence, and thus has great value to producers when trying to assess ongoing market dynamics! Again, it merely puts producers on a more equal footing with respect to market intelligence with their buyers. The **CGC** currently verifies the weighing of grain during the loading of vessels³¹, and as such is most closely involved in the daily workings of the grain industry.

Mercantile proposes that the grain companies be legislated to report daily and weekly sales over a specified size to the CGC, which then makes it available on their website, similar to the CGC grain handling report.

Interested parties should then be able to subscribe to the daily and weekly reports, similar to the workings of the US Export Sales Reporting Program.

Rail cost data: While there are confidential agreements between grain companies and the rail companies, **Quorum** (the Government appointed Grain Monitor) should publish an average multi-car rail rate for midpoint Saskatchewan (Alberta, Manitoba) to port positions to enable producers to more easily interpret international price signals.

Handling costs: The CGC must publish average fobbing costs, both at primary and terminal elevators.

Cost of production (COP) tables are already well covered by the provincial agriculture departments.

³¹ CGC, Vessel Loading Standard for Official Weighing, Version 2.0, effective Spt. 1, 2015 – CGC – WS-STAN 4.1

3 Existing Data Points & Data Gaps

Market information can be regarded as a public good, particularly where there are numerous small farmers who are unable to pay for information.³² The idea of data and information as a public good points towards the approach that government agencies should be intimately involved in the collection of select data, and that the agencies must be given the legislative mandate and authorisation to do so. It also makes sense to build on currently existing programs, albeit with tighter timelines adjusted to the digital age. Much of this has been discussed in the previous section, but the proposed data reports are summarized by agency below.

Table 3: Proposed Data Reports

Data Requirements by Agency					
Agency	Current Reports	Timing	Final Reports	Timing	Comments
AAFC	Acreage projection	Jan.	Acreage projection	Jan.	More accuracy More accuracy, fewer changes
	Export projection	Jan. /monthly	Export projection	Jan.	
	Domestic use	Jan. /monthly	Exports by destination	Jan.	
	Ending stocks	Jan. /monthly	Domestic use	Jan. /monthly	
	Ending stocks	Jan. /monthly	Ending stocks	Jan. /monthly	
Statistics Canada	Acreage projection	Apr./ quarterly adj's	Acreage projection	Apr./ quarterly adj's July/	Move reporting up by 1 mos.
	Production numbers	Aug./ quarterly adj's	Production numbers	quarterly adj's Monthly, but within 5	
	Exports by destination	Monthly	Exports by destination	working days of mos. end	
	Ending stocks	Quarterly	Ending stocks	Quarterly	
CGC	Grain handling tables	Weekly	Grain handling tables	Weekly	Add directional movement back in
	Exports by destination	Monthly	Exports by destination	Monthly	Provides current vs. historic data
			Sales data	Daily (certain size)	
			Sales data	Weekly summary	
	Elevator Charge Summary Annual		Avg. fobbing costs	Annual	Avg. cost by commodity
Port Authority	n/a		Port loading data	Weekly summary	Same format as formerly; need grain co. consent
Quorum	n/a		Avg. rail cost major points	Annual	Within role as grain monitor
Prov. Ag. Dpt's	COP data	Annual	COP data	Annual	
Newly initiated reports in bold					

Source: Mercantile Consulting Venture, 2021

Statistics Report Details:

Mercantile has compiled a list of reports and statistics data that are currently or used to be published, to ensure that Sask Wheat has the fullest possible picture of what variables are handled in the various reports. Each Statistical agency basically has one core report each and then they draw from that for the various sub-reports. AAFC's core report is the Outlook for Principal Field Crops. The Statistics

³² FAO, The Role of Market Information, <http://www.fao.org/3/AB795E/ab795e02.htm>, viewed March 2021.

Canada core report is the Field Crop Reporting Series. The CGC's core report is based on the Grain Stats Weekly. See Appendix 5 for the detailed report descriptions.

4 Recommendations

“At big moments we need good quality, trustworthy and relevant evidence and good use of that evidence to help us make decisions. Without it we hear the selective voice of vested interests. We see the headlines that emphasise the extreme or the unlikely. We are subjected to the rhetoric of a yarn designed to lure us into a fictional world. And we are denied the opportunity to set these influences in context.”³³

The review of the Grain Act is an opportunity to modernize and update the Act to accommodate all parties involved in the production and export of Canadian grain.

The most effective way to tackle a review of an existing system is to start with the end goal. What does Canada actually want to achieve within the Canadian agri-food system? If it is to maximize exports and to maximize overall GDP returns generated by agriculture, then improved data quality, data transparency and improved access to data through the market chain, as addressed by the resolution of five important grower groups this winter, should be given serious consideration.

Specifically, the adoption of a weekly cumulative sales reporting program in Canada may help to put producers on a more equal footing with the rest of the commodity chain and enable more informed marketing decisions by producers. In addition, current sales data (as opposed to historic export numbers) would be equally (if not more) useful to start addressing the main bottleneck to increasing agriculture exports. Improved forecasting could be linked to adequate rail capacity available to the agriculture industry, so that all export opportunities can be exploited. Agriculture commodities are relatively high priced, renewable commodities and should be accommodated.

On a practical level, a revised Grain Act must ensure that STC has continued access to good farm data to accommodate the STC surveys and leave room for future expanded surveys. Similarly, the CGC (or other appointed agency/ies) must be granted access to handling and movement data from crop handlers and exporters, as well as the means to enforce timely and accurate reporting by the companies. Serious consideration must also be given to compel rail companies to provide commodity movement data in a form useful to the system.

In the US, USDA worked on the issue of market transparency to the benefit of all some 40 years ago. The USDA program works and with political will, a similar program can benefit Canadian producers and the agri-food system as well.

Table 4 summarizes the recommendations detailed above.

³³ United Nations Economic Commission for Europe (UNECE), Recommendations for Promoting, Measuring and Communicating the Value of Official Statistics, UN New York and Geneva, 2018; <https://unece.org/fileadmin/DAM/stats/publications/2018/ECECESSTAT20182.pdf>

Table 4: **Summary of Recommendations** (new reports highlighted in red)

Recommendation Summary				
<i>Cropping Decisions</i>				
Data Gap	Collected from Whom	By Whom	When	Benefit
Forecast exports by destination	AAFC/ STC from customs data, destination intel	AAFC/ STC	Monthly, January onward	Producers
Domestic use numbers	Processors/ manufacturers	AAFC/ STC	Monthly, need to be researched	Producers
Stock numbers/ Stock-use ratios	AAFC calculation derived from above factors	AAFC	Monthly, more consistent month to month	Producers
<i>Marketing Decisions</i>				
More timely exports by destination	Customs data	STC	Monthly; s/b within 5 days of month end	System: producers, trade, transportation
Quality data	Farm sample program	CGC	ASAP after harvest	Producers, trade
Export loadings at port	Export Co's	Port Authorities	Weekly	Producers, trade
Weekly Sales by Crop; show destinations	Export Co's	CGC	Weekly	Producers, trade, improved system performance (if used wisely)
Linking overall sales data & export projections with rail capacity available to accommodate agriculture exports	Co's, railroads	Quorum, RR's, AAFC, Trade Cda.	Monthly	<i>Improved system performance/ export maximization/ Productivity gains Cdn. Agric. & Food System</i>
<i>Other (System cost basics)</i>				
Fobbing costs (avg.)	Elevator Co's	CGC	Annual	Producers
Rail costs (avg. main points to ports)	Rail Co's	Quorum	Annual	Producers, trade

Appendices

Appendix 1 - List of Canadian Agency Reports

STATISTICS CANADA (STC)

Estimated areas, yield, production, average farm price and total farm value of principal field crops, in metric and imperial units

Table: 32-10-0359-01 (formerly CANSIM 001-0017)

Frequency: Annual

<https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3210035901>

Stocks of grain and oilseeds at March 31, July 31 and December 31

Table: 32-10-0007-01 (formerly CANSIM 001-0040)

Frequency: Occasional Monthly

<https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3210000701>

Estimated areas, yield and production of principal field crops by Small Area Data Regions, in metric and imperial units

Table: 32-10-0002-01 (formerly CANSIM 001-0071)

Frequency: Annual

Geography: Province or territory

<https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3210000201>

Supply and disposition of grains in Canada

Table: 32-10-0013-01 (formerly CANSIM 001-0041)

Frequency: Occasional Monthly (Jly, Dec., Mch. data)

Geography: Canada

<https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3210001301>

Exports of grains, by final destination

Table: 32-10-0008-01 (formerly CANSIM 001-0015)

Frequency: Monthly

Geography: Canada

(exports to Regions & country destinations)

<https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3210000801>

Canadian International Merchandise Trade Database (CIMT)

Export by destination data based on HS codes

Frequency: Monthly

Eg. Pea exports: [https://www5.statcan.gc.ca/cimt-cicm/topNCountries-pays?lang=eng&getSectionId\(\)=0&dataTransformation=0&refYr=2021&refMonth=2&freq=6&countryId=0&getUsaState\(\)=0&provId=1&retrieve=Retrieve&country=null&tradeType=1&topNDefault=25&monthStr=null&chapterId=7&arrayId=0§ionLabel=II%20-%20Vegetable%20products&scaleValue=0&scaleQuantity=5&commodityId=071310](https://www5.statcan.gc.ca/cimt-cicm/topNCountries-pays?lang=eng&getSectionId()=0&dataTransformation=0&refYr=2021&refMonth=2&freq=6&countryId=0&getUsaState()=0&provId=1&retrieve=Retrieve&country=null&tradeType=1&topNDefault=25&monthStr=null&chapterId=7&arrayId=0§ionLabel=II%20-%20Vegetable%20products&scaleValue=0&scaleQuantity=5&commodityId=071310)

AGRICULTURE AND AGRI- FOOD CANADA (AAFC):

Reports and Statistics Data for Canadian Principal Field Crops

Outlook for Principal Field Crops

Standard reports, monthly

<https://www.agr.gc.ca/eng/canadas-agriculture-sectors/crops/reports-and-statistics-data-for-canadian-principal-field-crops/?id=1613662952721>

[→ include new crop projections starting in January.]

Agricultural Industry Market Information System

The Agricultural Industry Market Information System (AIMIS) is AAFC's new on-line database and information system which allows you to perform queries and to access data on screen or create downloadable files with alternative formats and data components.

G002 - Area, Yield, and Production of Canadian Principal Field Crops Report

<https://aimis-simia.agr.gc.ca/rp/index-eng.cfm?action=pR&r=243&lang=EN>

[does not include projections]

G003 - Supply and Dispositions Table Report

<https://aimis-simia.agr.gc.ca/rp/index-eng.cfm?action=pR&r=244&lang=EN>

[does not include projections]

CANADIAN GRAIN COMMISSION (CGC):

Grain Statistics Weekly

<https://www.grainscanada.gc.ca/en/grain-research/statistics/grain-statistics-weekly/>

Exports of Cdn. Grain and Wheat Flour

<https://www.grainscanada.gc.ca/en/grain-research/statistics/exports-grain-wheat-flour/>

PROVINCIAL LINKS:

Cost of production calculations:

SK: <https://www.saskatchewan.ca/business/agriculture-natural-resources-and-industry/agribusiness-farmers-and-ranchers/farm-business-management/crop-planning-guide-and-crop-planner>

AB: <https://open.alberta.ca/publications/cost-and-return-benchmarks-crops-and-forages-dryland-crops>

MB: <https://www.gov.mb.ca/agriculture/farm-management/production-economics/cost-of-production.html>

Appendix 2 - List of Data products Offered by USDA-AMS.

This data is used in the compilation of the Weekly AMS Grain Transportation Report

Extension	Name	Description	Reporting	Data Source
AMS	<u>Grain Transport Cost Indicators (xlsx)</u>	Changes in truck, rail, barge, and ocean freight rates using diesel prices, nearby secondary rail market rates, Illinois barge rates, and ocean freight rates from U.S. Gulf and PNW to Japan as proxies.	Weekly	Transportation & Marketing Programs AMS USDA
	<u>Market Update: U.S. Origins to Export Position Price Spreads (\$/bushel) (xlsx)</u>	Compares interior prices of corn in Illinois and Nebraska and Gulf, Iowa and Gulf soybean prices, Kansa and Gulf Hard Red Winter wheat, North Dakota, and Portland Hard Red Spring wheat.	Weekly	Transportation & Marketing Programs AMS USDA
	<u>Rail Deliveries to Port (xlsx)</u>	Rail deliveries to port for the PN Texas Gulf, Mississippi River, and Cross-Border Mexico movements.	Weekly	Transportation & Marketing Programs AMS USDA
	<u>Railcar Auction Offerings (xlsx)</u>	Railcar bids/offers in the primary shuttle and non-shuttle railcar market.	Weekly	Transportation & Marketing Programs AMS USDA
	<u>Bids/Offer for Railcars to be Delivered in the Secondary Market (xlsx)</u>	Railcar bids/offers for the secondary non-shuttle and shuttle railcar Market.	Weekly	Transportation & Marketing Programs AMS USDA
	<u>Tariff Rail Rates for Unit and Shuttle Train Shipments (xlsx)</u>	Tariff rail rates and fuel surcharges for selected U.S. origin and destination pairs.	Monthly	BNSF UPRR KCSOUTHERN
	<u>Tariff Rail Rates for U.S. Bulk Grain Shipments to Mexico (xlsx)</u>	Tariff rail rates and fuel surcharges from selected U.S. origin states to selected Mexican regions. .	Monthly	BNSF UPRR KCSOUTHERN

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Railroad Fuel Surcharges, North American Weight Average (xlsx)	Weighted average railroad fuel surcharges.	Monthly	BNSF CN CRP CSX KCSI NSCORP UPRR
Figure 8; Table 9 (xlsx)	Barge rates for major grain shipping points on the Mississippi, Ohio, Illinois, and Arkansas Rivers.	Weekly	Transportation & Marketing Programs AMS USDA
Barge Grain Movements (xlsx)	Grain barge movements through specific locks and dams by grain type.	Weekly	U.S. Army Corps of Engineers
Grain. Barge Movements through Mississippi River Locks 27 (xlsx)	Southbound grain barge movements through Lower Mississippi River Locks 27	Weekly	U.S. Army Corps of Engineers
Up Bound Empty Barges (xlsx)	Northbound movements of empty barges through Mississippi River Locks 27, Arkansas River Lock and Dam 1, and Ohio River Locks and Dam 52.	Weekly	U.S. Army Corps of Engineers
Grain Barges Unloaded in the New Orleans Port Region (xlsx)	Southbound grain barge movements through Mississippi River Locks 27, Arkansas River Lock and Dam 1, and Ohio River Locks and Dam 52 compared with the number of grain barges unloaded in the New Orleans Port Region ? Note: does not include barges originated south of Locks 27 near St. Louis, MO.	Weekly	U.S. Army Corps of Engineers AMS
U.S. Export Balances and Cumulative Exports (xlsx)	Unshipped export sales balances and cumulative marketing-year-to-date export sales of wheat, corn, and soybeans.	Weekly	USDA FAS
Top 5 Importers of U.S. Corn (xlsx)	Cumulative export sales commitments for the top 5 importing countries of U.S. corn that account for over 70% of U.S. corn exports.	Weekly	USDA FAS

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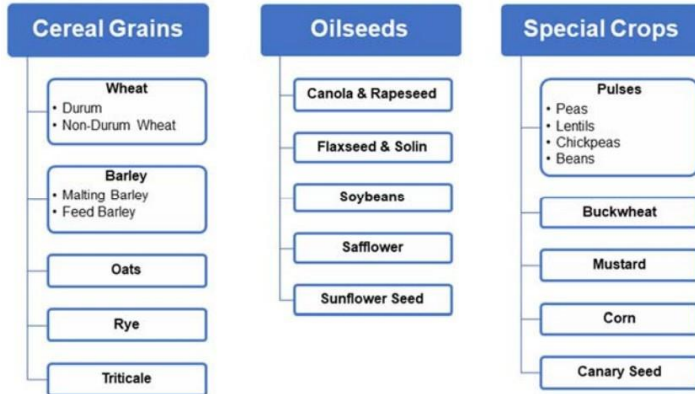
Top 10 Importers of U.S. Wheat (xlsx)	Cumulative export sales commitments for the top 10 importing countries of U.S. wheat that account for over 60% of U.S. wheat exports.	Weekly	USDA FAS
Grain Inspections for Export by Port Region (xlsx)	Inspections of grain for export in the PNW, Mississippi Gulf, Texas Gulf, Great Lakes, and Atlantic.	Weekly	Grain Inspection Packers and Stockyards Administration USDA
Weekly Port Region Grain Ocean Vessel Activity (number of vessels) (xlsx)	Number of grain vessels loaded during the week and expected to be loaded within the next 10 days in the Gulf, PNW, and Vancouver, B.C.	Weekly	Transportation & Marketing Programs AMS USDA
U.S. Grain Inspections: U.S. Gulf and PNW (xlsx)	Inspections of grain for export in the U.S. Gulf and PNW, compared to the 3-year averages.	Weekly	Grain Inspection Packers and Stockyards Administration USDA
U.S. Gulf Vessel Loading Activity (xlsx)	Vessel loading activity in the U.S. Gulf compared to same period a year earlier and 4-year average.	Weekly	Transportation & Marketing Programs AMS USDA
Grain Vessel Rates, U.S. to Japan (xlsx)	Compares the monthly ocean freight rates for shipping bulk grain and the spread between the U.S. Gulf and PNW to Japan to the same period a year earlier and 4-year average.	Monthly	O'Neil Commodity Consulting

Source: <https://www.ams.usda.gov/services/transportation-analysis/gtr-datasets>

Appendix 3 - Commodity Listing

Commodity listing used in the Grain Monitor Report on the Canadian Grain Handling and Transportation System:

The following provides a high-level overview of the various commodities discussed in this report. The delineations made here are drawn from the Canadian Grain Commission’s Official Grain Grading Guide Glossary.



Cereal Grains: Cereal grains are any grain or edible seed of the grass family which may be used as food.

Oilseeds: Oilseeds include flaxseed and solin, canola and rapeseed, soybeans, safflower and sunflower seed.

Canola: The term “canola” was trademarked in 1978 by the Western Canadian Oilseed Crushers’ Association to differentiate the new superior low-erucic acid and low-glucosinolate varieties and their products from older rapeseed varieties.

Special Crops: Special crops are considered to be beans, buckwheat, chick peas, corn, fababeans, lentils, mustard, peas, safflower, soybeans, and sunflower.

Pulses: Pulses are crops grown for their edible seeds, such as peas, lentils, chick peas or beans.

Appendix 4 - USDA Export Sales Forms

FAS-97, Report of Optional Origin Sales (weekly)

- <https://apps.fas.usda.gov/export-sales/instructions--1.pdf>

FAS-98, Report of Export Sales and Exports (weekly)

- <https://apps.fas.usda.gov/export-sales/instructions--2.pdf>

FAS-99, Contract Terms Supporting Export Sales and Foreign Purchases (monthly)

- <https://apps.fas.usda.gov/export-sales/instructions--4.pdf>

FAS-100, Report of Exports for Exporter’s Own Account (weekly)

- <https://apps.fas.usda.gov/export-sales/fas100.pdf>

Appendix 5 - Statistics Report Details (Canada)

1. AAFC

a. Reports and Statistics Data for Cdn. Principal Field Crops – Outlook for Principal Field Crops

Description: Monthly outlook reports for principal Canadian principal field crops, including grains, oilseeds, and some pulse and special crops. The reports basically show a basic balance sheet by crop.

Table 4: Outlook for Principal Field Crops

Outlook for Principal Field Crops	
What factors are reported on	Areas seeded, area harvested, yield, production, imports, total supply, exports, Food & industrial use (grains, oilseeds), feed, waster dockage, total domestic use, carry-out stocks, avg price.
Crops covered	Wheat, durum, all wheat, barley, corn, oats, rye, mixed grains, total coarse grains, canola, flaxseed, soybeans, total oilseeds, dry peas, lentils, dry beans, chickpeas, mustard seed, canaryseed, sunflower seed, total pulse & special crops
How is data collected	Forecasts by AAFC except for area, yield and production, which are StatsCan based on their Field Crop Reporting Series. The outlook can incorporate recent data from the USDA WASDE report and the USDA Outlook conference.
Who provides the data	StatsCan & AAFC
Frequency	Monthly; ~mid-month for the ongoing month New crop projections are first published in the January edition of their report.
Reference Periods	Monthly
Problems with report	AAFC export projections are limited to overall export numbers by crop for the crop year without any breakdown even by major destinations. Domestic use data deserves more scrutiny, especially for commodities with formalized domestic use, like canola (via crush), wheat (flour milling), peas (fractioning), barley (malt), and for feed grains (barley, peas, wheat, etc. feed compounding). The changes to major data points like ending stocks are too frequent and too big. The data shown only covers a 3-crop year period.

b. AAFC reports G002 & G003

Recently added on-line tools linked to the Outlook for Principal Field Crops under the new Agricultural Industry Market Information System (AIMIS) on-line data base, which allows for custom queries

Description: G002: AIMIS for area, yield and production (AYP) data by Canada, Western Canada, Eastern Canada or by province for principal field crops in Canada up to 10 years during 1908 to 2020.

G003: AIMIS for supply and disposition data (S&D) (including data on food use, industrial use, seed use, and loss in handling) by commodity and by component, as well as price data, for crop years from 2000-2001 to 2019-2020 for principal field crops in Canada.

Same data as presented in the Outlook for Principal Feld Crops, but this offers an accessible data base to view longer time periods and to create custom tables. The database does not include any projections. That is, reports G002 and G003 currently does not show any projections relating to the 2021/22 crop.

2. Statistics Canada

a. Field Crop Reporting Series

Description: This is a series of five data collection activities which are used in the release of estimates at pre-scheduled, strategic times during the crop year. These data are meant to provide “accurate and timely estimates of **seeding intentions, seeded and harvested area, production, yield and farm stocks**” of the principal field crops in Canada at the provincial level.

Table 5: Field Crop Reporting Series

Field crop Reporting Series	
What factors are collected	Seeding intentions, seeded and harvested areas, production, yield, farm stocks
Crops covered	'Principal field crops': Wheat, oats, barley, rye, flaxseed, canola, corn, soybeans, sunflower seeds, dry beans, dry field peas, lentils, mustard seed, canary seed, chickpeas
How is data collected	Field Crop Survey: As of March 2018, the questionnaire is offered in electronic format for use on the StatsCan website. The survey can now be self-completed as well as on the phone with an interviewer. As of the fall 2017, the September survey has been replaced with model-based principal field crop estimates obtained from satellite images.
Who provides the data	Farms, as defined by StatsCan
Frequency	5-times per year
Reference Periods	The field crop surveys are conducted in March, June, July, November and December. The data is released the following month.
Comment	This is the StatsCan base report in agricultural production of major crops, which also feeds into the stocks, small area production report and S & D report.

b. Stocks of Grains and Oilseeds

Description: This report is part of the Field Crop Reporting Series. It specifies commercial, on farm and total stocks as of March 31, July 31, and December 31 each year.

Table 6: Stocks of Grains and Oilseeds

Stocks of Grains and Oilseeds	
What factors are collected	Commercial, and on-farm al stocks
Crops covered	'Principal field crops': Wheat, oats, barley, rye, flaxseed, canola, corn, soybeans, sunflower seeds, dry beans, dry field peas, lentils, mustard seed, canary seed, chickpeas
How is data collected	<u>Farm data</u> : Field Crop Survey to farmers. The 2020 survey also asked farmers about permanent on-farm storage capacity and the percentage of grain stored on farms using temporary storage methods. (The latter is available on request only). As of March 2018, the questionnaire is offered in electronic format for use on the StatsCan website. The survey can now be self-completed as well as on the phone with an interviewer. <u>Commercial data</u> : data on commercial stocks of western major crops originate from the CGC. Data on stocks of special crops originate from a survey of handlers and agents of special crops.
Who provides the data	Farms, CGC, Special crops handlers

Frequency	3-times per year
Reference Periods	Data is collected for stocks as of March 31, July 31, and December 31 each year. The data is generally published the following month. Stocks are subject to revision during the two years following their initial publication.

c. Small Area Production Data

Description: This report is also part of the Field Crop Reporting Series. It breaks down the data on seeded and harvested area, yield, and production to the census agricultural region level.

Table 7: Small Area Production Data

Small Area Production Data	
What factors are collected	Census ag region level data. In SK, small areas coincide with census division boundaries.
Areas covered	British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec.
Crops covered	Principal field crops
How is data collected	Field Crop Survey
Who provides the data	Farms
Frequency	Annually
Reference Periods	The data is published in February each year.

d. Supply and Disposition of Grains in Canada

Description: National supply-disposition tables for the major grains and special crops.

Table 8: Supply and Disposition of Grains in Canada

Supply and Disposition of Grains in Canada	
What factors are reported on	Total supplies, total beginning stocks, beginning stocks on farms, beginning stocks in commercial positions, production, imports, total disposition, total exports, grain exports, product exports total domestic disappearance, human food, seed requirements, industrial use, loss in handling, animal feed, waste & dockage, other domestic disappearance, total ending stocks, ending stocks on farms, ending stocks in commercial positions
Crops covered	'Principal field crops' Wheat, oats, barley, rye, flaxseed, canola, corn, soybeans, sunflower seeds, dry beans, dry field peas, lentils, mustard seed, canary seed, chickpeas
How is data collected	Field Crop Survey, Commercial Stocks of Corn & Soybeans Survey, Commercial Stocks of Major Special Crops Survey, Monthly Millers Survey, Monthly Crushing Operations Survey, Grain used for Industrial Purposes Survey
Who provides the data	Farms, CGC, Special crops handlers, grain elevators (corn & soybeans), millers, crushers, ethanol & biodiesel plants in W Canada.
Frequency	Occasional monthly
Reference Periods	Monthly (CGC, Special crops handlers, grain elevators (corn & soybeans), millers, crushers, ethanol & biodiesel plants in W Canada) or March, June, July, November and December (farms).

e. Exports of Grains, by Final Destination

Description: Exports by final destination. *Discontinued Dec. 2018.*

Table 9: Exports of Grains, by Final Destination

Exports of Grains, by final Destination	
What factors are reported on	Exports by destination to export regions and/or destinations
Crops covered	Wheat (excl. durum), durum, oats, barley, rye, flaxseed, canola, wheat flour, malt
How is data collected	Customs basis
Who provides the data	Canada Customs
Frequency	Monthly
Reference Periods	Monthly
Comment	Discontinued

f. Canadian International Merchandise Trade data – Exports by Destination

Description: Exports by destination data based on HS codes

Table 10: Exports of Grains by Destination

Exports of Grains by Destination	
What factors are reported on	Exports by crop by destination in mt and value (\$) Export origin: Canada or by province.
Crops covered	All crops by HS code
How is data collected	Customs basis
Who provides the data	Canada Customs
Frequency	Monthly (published about 2 months after conclusion of reporting month)
Reference Periods	Monthly
Problems with data	Can only display/ download four periods on website; very difficult create data series beyond one period. It takes ~2 months between month-end and publication of data.

3. Canadian Grain Commission

a. Grain Statistics Weekly

Description: Data on weekly and crop year to-date movement of principal grains and oilseeds from Canadian farms for domestic processing and exports, stocks in various commercial facilities and feed grain handlings.

Table 11: Grain Statistics Weekly

Grain Statistics Weekly	
What factors are reported on	<p><u>Summary page</u>: Commercial stocks, farmer deliveries, primary elevator exports, terminal elevator exports, producer car exports, container exports, domestic disappearance, crop year to date totals.</p> <p><u>Primary page</u>: Farmer deliveries, shipments, stocks, Condo storage <u>Process page</u>: Farmer deliveries, other deliveries, shipments, milled/ mfg grain, stocks</p> <p><u>Producer cars page</u>: Producer deliveries to port terminals</p> <p><u>PPShipDist Page</u> (Disposition of Canadian Grain shipped from Primary & Process elevators): Cdn. domestic, process elevators, Pacific coast, Churchill, Thunder Bay, E</p>

Crops covered	<p>Feed grains page: Primary deliveries, primary shipments, commercial disappearance</p> <p>Terminal exports page: Exports of Cdn. grain by clearance sector</p> <p>Terminal disposition page: Disposition of Cdn. grain shipments to -Cdn. domestic, - export destinations, - port terminals</p> <p>Imported grains page: Grain reported according to grain country of origin, other than Canada.</p> <p>Ports of Clearance – Terminal elevators: Pacific, Churchill, Thunder Bay, Bay & Lakes Ports, St Lawrence Ports</p> <p>'Principal field crops':</p> <p>Wheat, oats, barley, rye, flaxseed, canola, corn, soybeans, sunflower seeds, dry beans, dry field peas, lentils, mustard seed, canary seed, chickpeas</p>
How is data collected	Reporting of licensed facilities to the CGC as mandated under the Canada Grain Act.
Who provides the data	<p>All statistics on grain handlings and dispositions are collected under the authority of the Canada Grain Act:</p> <p>Grain handlings by primary, process and terminal elevator facilities are regarded as licensed and have to report their activities to the CGC. (Statistics Canada provides total statistics representing all Canadian licensed and unlicensed grain handlings.)</p> <p>Export statistics are based on reporting by licensed elevators of shipments to the USA and Canadian Grain Commission certification of vessel cargoes to overseas destinations. (Statistics Canada reports total licensed and unlicensed grain exports from Canada independently of the Canadian Grain Commission and are based on data collected by Canada Border Services Agency.)</p>
Frequency	Weekly; published on the CGC website reach Friday morning
Reference Periods	weekly

b. Exports of Canadian Grain and Wheat Flour

Description: A monthly and crop year to-date review of grains, oilseeds and wheat flour exported to country of destination. Includes port and sector points of exit.

Table 12: Exports of Canadian Grain and Wheat Flour

Exports of Cdn. Grain and Wheat Flour	
What factors are reported on	Licensed exports of Canadian grain. (Statistics represent exports from elevators licensed by the Canadian Grain Commission; unlicensed exports are reported separately.)
Crops covered	'Principal field crops': Wheat, oats, barley, rye, flaxseed, canola, corn, soybeans, sunflower seeds, dry beans, dry field peas, lentils, mustard seed, canary seed, chickpeas
How is data collected	Reporting of licensed facilities to the CGC as mandated under the Canada Grain Act.
Who provides the data	<p>All statistics on grain handlings and dispositions are collected under the authority of the Canada Grain Act:</p> <p>Grain handlings by primary, process and terminal elevator facilities are regarded as licensed and have to report their activities to the CGC. (Statistics Canada provides total statistics representing all Canadian licensed and unlicensed grain handlings.)</p> <p>Export statistics are based on reporting by licensed elevators of shipments to the USA and Canadian Grain Commission certification of vessel cargoes to overseas destinations. (Statistics Canada reports total licensed and unlicensed grain exports from Canada independently of the Canadian Grain Commission and are based on data collected by Canada Border Services Agency.)</p>

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Frequency	Monthly
Reference Periods	All tonnage is allocated to the month when CGC official inspection started for a vessel-loading.