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Canada Grain Act Review
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INPUT FROM THE CANADIAN PULSE INDUSTRY INTO THE CANADA GRAIN ACT REVIEW

PULSE CANADA IS THE NATIONAL ORGANIZATION REPRESENTING CANADIAN PULSE GROWERS, TRADERS AND EXPORTERS. THE SUBMISSION BELOW REPRESENTS KEY AREAS OF IMPORTANCE TO THE FUTURE GROWTH OF CANADA'S PULSE INDUSTRY.

1. Statistics and Reporting:

Publicly available data on Canadian grain production, handling, and exporting provided in a timely and accurate manner is integral to value chain efficiency and the ability of all industry participants (grower, handler, exporter/processor) to make sound business decisions.

Roughly one third of Canadian pulse and special crops are exported via container. As the current Canada Grain Act (CGA) and Regulations do not allow the Canadian Grain Commission (CGC) to compel a grain handling report from unlicensed facilities, an information gap exists on the reported containerized export volumes in Canada. Export data on containers is currently supplied to the CGC monthly on a courtesy basis by three Port Authorities (Port of Vancouver, Port of Montreal and Port of Prince Rupert), however publication of this information tends to be significantly delayed as the CGC cannot produce the report until all data is received.

Pulse Canada supports amending the CGA to include the ability to consistently collect detailed data¹ from all Port Authorities (Port of Vancouver, Port of Montreal, Port of Prince Rupert, Port of Saint John and Port of Halifax) to allow for weekly and monthly data on container movement to be incorporated into the existing weekly and monthly CGC reports. In recognizing certain commercial sensitivities that may exist with smaller volume commodities, Pulse Canada does not support the expansion of this data set to include commodities additional to what is currently reported upon by the Port Authorities. Current commodities reported to the CGC by Port Authorities include: Peas, Lentil, Soybeans, Wheat, Amber Durum, Oat, Barley, Rye, Flax, Canola, and Corn.

In addition to CGC's collection and reporting of information about Canadian grain movement through the licensed handling system, Statistics Canada (STC) and Agriculture and Agri-Food Canada (AAFC) provide statistical reporting on Canadian grain. In certain cases, reporting by one agency feeds into reports published by other agencies (i.e., STC Stocks of Canadian Grains and Oilseeds reports include commercial data originating from CGC reporting, STC Field Reporting Series feeds

¹ Detailed data set should include at minimum: units, tonnes, commodity and destination

into AAFC's Outlook for Principal Field Crops reports, etc.). The CGC should pursue the coordination of government agencies responsible for collecting this data to reform the collection and sharing procedures to improve the timeliness, accuracy and quality of reporting (areas for improvement in current reporting structure outlined in the Appendix).

2. Producer Payment Security

Pulse Canada supports the maintenance of a producer payment security (PPS) program. Any amendments to CGC's Safeguards for Grain Farmers Program must allow for improved program delivery. Improving cost effectiveness, addressing coverage gaps amongst industry participants, and a greater level of transparency in program operation must all be key considerations in future consultations regarding changes to PPS.

3. Outward Inspection and Weighing of Export Vessels

In order to reduce duplication of service and unnecessary costs to the Canadian value-chain, Pulse Canada supports amendments to the CGA that would allow for CGC's outward weighing and inspection services to be optional depending on the nature of the contractual obligations of the exporter. Pulse Canada would support the CGC transitioning to an approval and oversight role wherein it would accredit private sector quality and quantity assurance providers to perform outward weighing and inspection services.

Pulse Canada does not support expanding CGC's oversight role in this area to include the inspection and weighing of grain exported from Canada by containers.

Pulse Canada acknowledges that modernization in this area creates a larger need to revisit the CGC's funding model.

4. Cash Purchase Tickets

The ability to defer cash purchase tickets into the next fiscal year is an important revenue and financial management tool for grain producers. Grain producers face considerable production variability each year. Taken together with price volatility, the value of crop production revenue can vary significantly from year to year. The costs of producing crops are largely fixed once the crop is planted, so revenue variability translates into income variability quite closely. Cash purchase ticket deferrals can help to smooth income levels, while not impacting the timing of producers' optimal marketing decisions.

Canada's Income Tax Act (ITA) currently defines "cash purchase ticket" to have meaning as assigned by the CGA, however the definition for "grains" in the ITA is defined as "wheat, oats, barley, rye, flaxseed, rapeseed and canola produced in Canada". Pulse Canada supports the alignment of the ITA definition for "grains" with all grains regulated under the CGA. This would ensure regulatory compliance for pulse and special crop growers who wish to utilize the cash purchase ticket deferral mechanism.

5. Licensing Framework

Under the current CGA, the CGC has little authority with respect to unlicensed grain companies. This is of specific concern to the Canadian pulse sector in relation to PPS. A gap in PPS program coverage currently exists on sales to facilities that are exempted from licensing requirements (i.e., feed mills) which creates a higher level of risk to growers and the overall health of the sector. Currently, there are limited tools available to assess the credit worthiness of unlicensed/exempted

facilities and to mitigate sales risk. Enhancements to the current licensing framework should be pursued to ensure that growers can adequately assess the credit worthiness of all industry participants when selling grain.

Modernization of the licensing framework should also explore whether the expansion of the CGC's licensing requirements to additional (and currently exempted) facilities would aid in aforementioned goals of improving data on containerized grain movement in Canada.

6. CGC Mandate

Pulse Canada supports the CGC's current mandate as set out in the CGA 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."

7. CGC Governance

Pulse Canada supports a modernized governance structure for the CGC to improve accountability to Canada's entire grain sector, including farmers, grain handlers, processors, and end-use customers. Further consultation is required to determine a governance structure that can best serve the evolving needs of Canada's grain sector as it strives to provide the domestic and global marketplace with high quality, safe, and sustainably grown commodities.



APPENDIX

In addition to Canadian Grain Commission (CGC)'s collection and reporting of information about Canadian grain movement through the licensed handling system, Statistics Canada (STC) and Agriculture and Agri-Food Canada AAFC) provide reporting on Canadian grain statistics. Each agency principally has one core report that informs various sub reports. The following lists each report and potential areas for improvement:

1. STC

Field Crop Reporting Series (Core Production Report): a series of five data collection activities which are used in the release of estimates at prescheduled, 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.

- **Linkages to other reports:** This report feeds into the AAFC balance sheets that are published on a monthly basis

Supplementary to STC's Field Crop Reporting Series are the **Small Area Production Data**, the **Stocks of Grains and Oilseeds**, and the **Supply and Disposition of Grains in Canada**.

- **Linkages to other reports:** commercial stock data originates from CGC reporting.

Areas for improvement: The Seeding Intentions Report is published in April, which is too late to feed into cropping decisions by farmers. Production volumes can be revised by up to 3 years back, and the revisions are frequent and occasionally are very large.

Canadian International Merchandise Trade Data Base (CIMT), and the resulting Exports by Destination based on HS codes (Core Export Report): The CIMT online database offers detailed trade data using the Harmonized System (HS) classification of goods (based on the 6-digit commodity level). It allows the user to select a trading partner and specific variables (e.g., country, province, state, year, month, or frequency) or search by commodity or Harmonized System code. Data in the CIMT database are produced on a customs basis and cover the physical movement of goods. Export statistics are attributed to the country that is the last known destination of the goods at the time of export. Exports to the United States are attributed to the state of destination.

Areas for Improvement:

- **Timeliness:** Given that this is the only regular report on export movements, the 5–6-week gap in between month-end and publication does not permit an up-to-date look at the ongoing export movements.
- **Accessibility:** Users can only display/ download four periods on website; it is very difficult to create a data series beyond one download period.

2. AAFC:

Outlook reports for Principal Field Crops (monthly): market information and analysis on the situation and outlook for Canadian principal field crops, including grains, oilseeds, and some pulse and special crops. The reports essentially show a basic balance sheet by crop, detailing the various supply and demand components, and displaying the resulting ending stocks by crop.

Agricultural Industry Market Information System (AIMIS): on-line database and information system which allows users to perform queries and to access data on screen or create downloadable files with alternative formats and data components.

Areas for improvement:

- **Accuracy:** The changes to major data points like ending stocks are frequent and substantial, greatly diminishing the value of these reports. Data on fundamentals 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 + 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.
- **Granularity:** AAFC export projections are limited to overall export numbers by crop for the crop year without any breakdown by destination. Domestic use data deserves more scrutiny, especially for commodities with formalized domestic use, like peas (fractionation). For many crops, domestic use is a residual calculation after estimating carry-in, production, exports and carry out – domestic use is what is left over. It would be valuable to have more actual reporting of domestic use by domestic processors.