



Saskatchewan farmers urge grain elevators to partner on solutions amid historic drought conditions

Saskatoon (August 30, 2021) - Grower organizations representing the more than 44,000 grain, pulse and oilseed farmers in Saskatchewan are urging the Western Grain Elevator Association (WGEA) and its members to work with farmers and eliminate administration fees and reduce penalties for the 2021-2022 growing season.

The extreme drought, heat and wind throughout the crop year have significantly reduced harvestable grain and substantially increased commodity prices. Many farmers' yields across the Prairies will be well below their crop insurance coverage and they will be unable to deliver on even modest grain contracts.

Historically, farmers have been encouraged to contract some grain for fall delivery. This makes it possible for grain companies to develop their own marketing plans and benefits growers by allowing them to pay bills that come due in the fall, manage storage space, and secure a reasonable margin. In most years, production losses due to hail, flood or drought, are generally localized enough that it doesn't influence commodity prices.

"Growers are more likely to take advantage of forward contracts when they have fewer bins, limited cash flow in the fall, and when they want to manage their exposure to price risk," says Bernie McClean, Chair of SaskCanola. "If grain companies are unwilling to work with farmers to find solutions, it could severely impact the economic stability of a large proportion of grain operations."

The traditional intention of administration fees is to deter farmers from cancelling contracts when they have the grain but want to take advantage of a higher cash price. However, when the farmer has no grain to sell, the deterrent is ineffective. For some, the financial implications of this drought will be devastating, and these penalties will worsen the situation for growers. That is why the commissions, on behalf of farmers, are asking the grain companies to eliminate administrative fees for the 2021-2022 crop year.

"Farmers have worked hard to build strong relationships with grain companies, and they value those relationships and commitments," added Matt Enns, Chair of SaskBarley. "We expect that the good faith we have built with buyers will be reciprocated when times are tough."

APAS, SaskBarley, SaskCanola, SaskFlax, SaskOats, Saskatchewan Pulse Growers and SaskWheat will continue to advocate for a mutually agreeable solution that addresses the dire circumstances Saskatchewan agriculture is facing.

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To WGEA members:

On behalf of the more than 44,000 grain, pulse and oilseed farmers in Saskatchewan, we are requesting that grain companies eliminate administration fees for the 2021-2022 season when farmers are unable to fulfill their contracts. We are also asking that grain companies consider renegotiating terms of contracts, including penalties, wherever possible.

Extreme growing conditions that are expected to cause extraordinarily low yields and negatively impact quality will result in many farmers being unable to deliver on their contracts as originally negotiated. Administration fees and penalties add another level of costs for growers who are already in an uncertain cash flow situation.

Farmers take their contract commitments seriously. They will try to honour contracts that they signed in good faith if they have the grain. It must be noted that both farmers and grain companies were willing parties to these contracts for 2021 production. Despite all available information on production and market expectations, the individual and aggregate outcomes of the 2021 crop year were misread.

Farmers have worked hard to build strong relationships with grain companies, and they value those relationships. They expect that the good faith they have built will be reciprocated when times are tough and that the relationships with their buyers will also allow for re-negotiations on contract terms in extreme situations.

The 2021 drought is widespread and intense, substantially limiting the availability of crop. Many farmers will harvest less than their crop insurance average and will be unable to fulfill even the most modest

grain contracts. For the long-term benefit of all stakeholders in the food production chain, we are asking that you work with farmers to address the serious financial issues that they are currently experiencing.

We understand this is a difficult situation for everyone involved. Your cooperation in waiving administrative fees and being willing to consider re-negotiation of contract terms for the current production year will lessen the financial impact of a poor year for farmers, signaling that the well-being and financial stability of farmers is a priority of grain companies.

Sincerely,



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President, APAS



Matt Enns
Chair, SaskBarley



Bernie McClean
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Greg Sundquist
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