



Agriculture is Everyone's Business

Hon. Lawrence MacAulay
Minister of Agriculture and Agri-Food Canada
1341 Baseline Road Tower 7, NHCAP, Floor 9, Room 149
Ottawa, ON K1A 0C5

January 7, 2019

Dear Minister MacAulay:

The Agricultural Producers Association of Saskatchewan (APAS) is writing in response to Agriculture and Agri-Food Canada's consultations on seed royalties and value creation in Canada's seed sector. I am also writing on behalf of the APAS Executive Committee to request a meeting with you to discuss our position on value creation and seed royalties when we are in Ottawa from February 26th to March 1st.

APAS has carefully reviewed the seed royalty models under consideration. Seed policy and value creation in the crops sector are very important to Saskatchewan agricultural producers. Seed is a major farm input expense with Saskatchewan producers spending approximately \$924 million in seed purchases every year (comprising ~35% of Canada's seed sales). Canada's approach to crop development and seed regulation has helped ensure our position as a competitive supplier of high-quality grains for international markets.

APAS Representatives attended the AAFC and CFIA engagement session in Saskatoon on December 4. The topic was also discussed at length at the 2018 APAS Annual General Meeting, where Representatives carried motions expressing concerns with value creation models that include royalty charges on farm saved seed. These resolutions have been submitted to your office for review.

Based on direction from our membership, APAS wishes to outline our concerns in greater detail and to request that AAFC withdraw the seed royalty proposals and redirect efforts towards a longer-term review of crop development in Canada. Canada's public plant breeding system has generated a very high rate of return for agricultural producers and the broader economy. Everyone benefits from improved crop varieties. The current approach balances the risks, costs and rewards of crop development across the supply-chain. We feel that major changes require a level of careful consideration that is not possible within the limited scope of the current consultations.

APAS members have identified specific concerns with the "End Point Royalty" and "Trailing Royalty Contract" proposals. We are concerned these royalty models could jeopardize the future viability of farmer-directed research, as royalties on seed saved from public varieties will increase the number of refund requests from voluntary check-off organizations. Moreover, the proposed models fail to account for the significant investment that producers have made to support the development of public crop varieties through contributions from crop development commissions and the Western Grain Research Foundation.



The ability for farmers to save and replant seed in subsequent years has been a highly valued farming practice for generations. There are concerns with the prospect of increased seed expenses at a time when farm margins are tightening due to lower commodity prices and rising operating costs. The two royalty proposals have not presented a clear business case to demonstrate how increased seed royalties will translate into improved producer profitability.

APAS recognizes the need to continually examine opportunities for increased investment in plant breeding innovations. Unfortunately, the consultations to date have been narrowly focused around End Point Royalties and Trailing Royalty Contracts as the only models for change. We do not feel these royalty models will result in positive outcomes for Saskatchewan producers and are concerned that continued consideration of these proposals is drawing attention away from more constructive discussions on the future of crop development in Canada.

APAS is requesting AAFC to set these proposals aside and begin working with producers to develop long-term research objectives that support sector growth. If the federal government is planning to move resources away from crop development and shift a greater share of costs and responsibility onto producers, we need to consider the best way forward through a clearer understanding of the funding required to maintain or expand research capacity.

We believe there is a strong rationale for continued public investment in crop development in Canada, especially given the federal government's goal of increasing agricultural exports to \$75 Billion by 2025. At the same time, we recognize the need to support varietal research through partnerships with the public and private sectors. More consultation is needed to explore these partnership opportunities in greater detail, including the potential for producers to play an enhanced role through farmer-directed research organizations.

It is our understanding that AAFC and the CFIA are considering a review of the Seeds Act and Regulations that could include potential changes to seed certification, quality assurance and traceability provisions. Our request for a new approach to the value creation consultations does not need to prevent this review from proceeding as planned. However, it is very important for the federal government to recognize that proposals to charge royalties on farm saved seed will have the greatest impact on primary producers who are unable to pass along increased costs to the consumer.

The APAS Executive Committee welcomes an opportunity to meet with you in late February to discuss an approach to value creation that better meets the needs of Saskatchewan agricultural producers. The APAS General Manager, Duane Haave, is available to schedule the meeting. He can be reach at 306-789-7774; dhaave@apas.ca

Thank you for your consideration. We look forward to hearing from you.

Sincerely,

Todd Lewis, President

Cc:

Paul Glover, President of Canadian Food Inspection Agency
Anthony Parker, Commissioner, Plant Breeder Rights Office
Carla St. Criox, Director, Innovation and Growth Policy Division, Strategic Policy Branch (AAFC)