



Agriculture is Everyone's Business

Agricultural Producers Association of Saskatchewan

Submission to the Canadian Grain Commission's 2017 User-fee Consultation

May 1, 2017

The Agricultural Producers Association of Saskatchewan (APAS) has reviewed the Canadian Grain Commission (CGC) user fee proposal and welcomes the opportunity to provide comments.

During the 2012 user fee consultations, grain companies acknowledged that user fees are passed onto producers in the form of lower prices and higher tariffs. As a result, agricultural producers have a direct interest in ensuring user-fees are fair and set according to a responsive fee schedule. As the party that bears these costs, producers have related interest in ensuring that user fees are used wisely. CGC services that benefit all Canadians must be adequately funded through contributions from the federal government.

A. Formula Based Approach to User Fees

Recommendation:

The CGC provide further information on how grain volumes will be determined in the formula. The formula should be made available in the public realm to ensure rates are set in a predictability and transparent manner.

Comments:

The introduction of a formula based fee setting mechanism is a necessary change as continued accumulation of surpluses is unacceptable.

B. Proportion of Public Good

Recommendation:

The user-fee consultation must include additional and focussed discussions to determine the appropriate level of public funding needed to cover the public benefits CGC services provide all Canadians. APAS suggests that 50% reflects a more appropriate ratio of CGC funding afforded through public benefit appropriation.



Comments:

The 9:91 public/industry ratio is too low given CGC's important contribution to product traceability, food safety, grains research, and maintaining Canada's competitive position in export commodity markets.

Given the anticipated level of demand on the use of the \$70 million surplus, the limited public appropriation of \$5.37 million per year will be insufficient to adequately resource CGC services that benefit all Canadians.

Inadequate government funding for the CGC Grains Research Laboratory is an area of particular concern. In the Accumulated Surplus Consultation Document, it is stated that the Research Lab is in need of a major refit and upgrade. The Grains Research Lab is an important source of innovation in Canada's agricultural sector that must be maintained. The further deterioration of its facilities is inconsistent with the federal government's broader objectives of supporting innovation and productivity in the sector.

There are specific concerns that the user fee schedule is indexed according to an annual inflation factor, while the public appropriation remains fixed at \$5.37M over the five year cycle. The consultation lacks rationale as to why this is the case.

Calculated per Canadian, the proposed \$5.37M appropriation represents a 6% reduction in the current public contribution of \$5.45M. The 2017 consultation document calculates the contribution will be fixed at 30 cents per Canadian, whereas government funding in 2012 was fixed at 32 cents. Reduced public funding for the CGC is inconsistent with growing consumer interest in food traceability.

The comparison to user fees in the United States and Australia shows that Canadian rates are balanced towards the Australian regulatory system, which is full cost recovery. Australian producers face a much lower transportation, handling and tariff cost profile than their Canadian and U.S. counterparts. As a result, APAS feels it is more appropriate to balance Canada's contribution rate toward the 30% government appropriation provided to the U.S. regulator.

For more information about this submission, please contact the APAS Policy Manager at (306)-789-7774 ext. 4 / policy@apas.ca.

