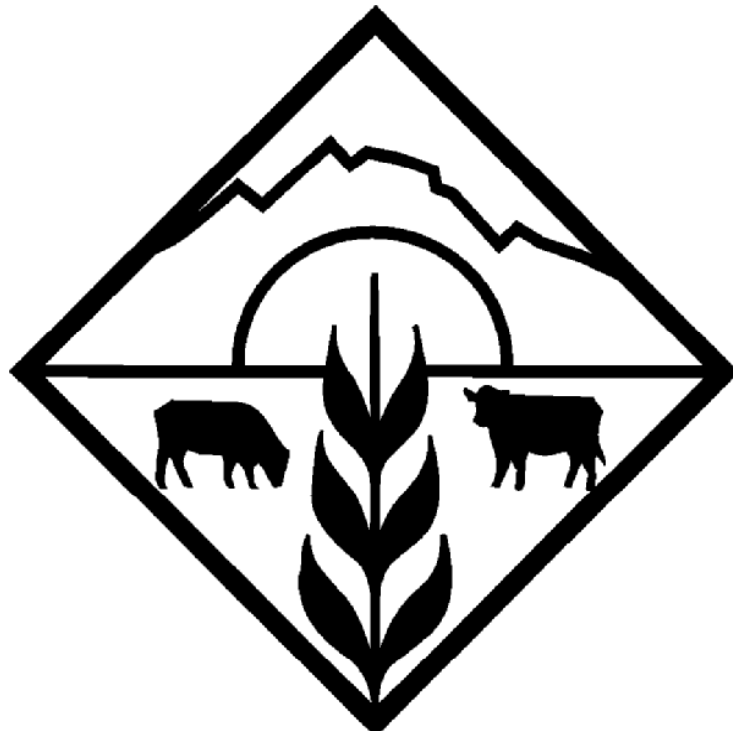


Alberta Grain Commission

Annual Report to the Minister

2002-2003



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Mandate

The Alberta Grain Commission (AGC) was established by a Ministerial Order in 1972. The current mandate of the AGC, as specified in 1977, is to:

- examine all facets of the grain and oilseeds industry, including storage, transportation, marketing, and supply stabilization,
- make policy recommendations to the Minister of Agriculture (with respect to any matter referred to above),
- maintain liaison with other governments, groups or boards within and outside Alberta,
- carry out such other assignments related to the matters above, and as may be specified by the Minister of Agriculture.

The AGC is comprised of eight farmers from various parts of the province, two representatives from the Ministry of Agriculture, Food and Rural Development, and one Member of the Legislative Assembly of Alberta. The current members are listed at the end of this report.

Mission

To ensure that policies and programs meet the needs of Alberta grain, oilseed and special crop farmers, and promote a viable market-driven farm and agri-food sector.

Report on Activities

Introduction

2002 - 2003 was a year of challenges for Alberta's grain industry. The effects of the greatest drought in 133 years were far-reaching with respect to production; major grains and oilseed yields in 2002 were about 45% of the previous 5-year average. Tame hay yields and production were also far below average. To compensate for the low tame hay production, farmers harvested an unusually high acreage of annual crops for green feed or silage. The persistent dryness caused great infestations of grasshoppers and sawflies in many areas of the province. Crop diseases were also prevalent, particularly in southern Alberta where the excess moisture conditions promoted the development of root and leaf diseases early in the season.

The lack of moisture in the spring and summer of 2002 and the widespread results created new concerns for the industry. The availability of seed supplies, feed supplies (and impact on Alberta's livestock industry), the quality and grades of grain, hay and straw, and the severe drought were concerns for not just the grain industry, but also the agricultural industry as a whole.

The AGC continued its efforts to influence affect change in several policy areas affecting the grain industry. The AGC was very active in advancing the agenda of a voluntary marketing system for wheat and barley farmers. The threat and risk of Fusarium Head Blight to Alberta continued to be an area of active involvement for the AGC. Imports of U.S. corn into southern Alberta, Canadian Grain Commission issues, the Agricultural Policy Framework, risk management programs, ethanol and biofuels, and the provision of grain price information were also priority areas for the AGC. Trade negotiations, trade challenges, and the U.S. Farm Bill, as they relate to the grain industry, were closely monitored. In addition, the AGC monitored other areas of concern for the grain industry, such as El Nino, the Kyoto Agreement, expansion of value added industry, and on-farm food safety. Environmental Farm Plans, consolidation of grain companies, global supply and demand factors, and Alberta's ability to remain a world competitor and a net exporter of grain were also issues monitored by the AGC.

As part of the mandate, individual AGC members and staff attended various industry meetings in Alberta and throughout Western Canada and Ontario. This liaison, along with members' participation in other organizations and in their own farms, helps to keep the AGC abreast of current and emerging grain industry issues.

Marketing Choice for Alberta Farmers

The priority for the AGC in 2002-03, was a 'voluntary marketing system for wheat and barley farmers'. Farmers' frustration with the lack of progress on this issue was demonstrated by the Farmers for Justice Rally in Lethbridge in October 2002 and the ensuing imprisonment of 13 farmers. This further fueled the desire of the Alberta government to pursue marketing choice. In December 2002, the legislature passed Bill 207, the *Alberta Wheat and Barley Test Market Act*. Throughout the year, Alberta's Agriculture Minister and Premier both indicated their dedication and continued efforts to obtain marketing choice for Alberta producers.

The AGC worked closely with AAFRD Ministry partners to ensure that an appropriate follow-up strategy to the passage of Bill 207 was developed in order to move forward on a test open market for wheat and barley in Alberta. Along with industry, the AGC and AAFRD developed a Marketing Choice Framework, which is being used to guide the marketing choice strategy.

Continuing to garner industry support, the AGC placed advertisements encouraging farmers to vote in the 2002 CWB directors' election and provided information to the electorate and candidates, as well as MLAs, with the goal of increasing awareness of the election and the election process. Through the election, prairie farmers added one more voice for marketing choice to the CWB Board of Directors.

In order to stay in tune with the issues and concerns of Alberta farmers, several AGC members and staff attended the Canadian Wheat Board (CWB) Corporate Accountability meetings and CWB election forums. Common concerns expressed among farmers included marketing choice, pricing flexibility and transparency, and lack of market signals.

Throughout the year, various new groups took a position in support of marketing choice. These included the House of Commons Standing Committee on Agriculture and Agri-Food, the Winnipeg

Commodity Exchange, Canadian Federation of Independent Business, and the Regina Chamber of Commerce. The AGC is involved in efforts to build a coalition of all industry players (thereby adding another perspective) to help increase the awareness of the need for marketing choice and to further expand supporters of this initiative.

The AGC also examined the Ontario Wheat Producers Marketing Board's system and commissioned an independent review of the CWB's Benchmarking study.

Trade

Obtaining a more open world trade environment for agriculture is critically important to western Canada and it is important that western Canada's issues and concerns be heard at the federal level. As such, the AGC is supportive of the efforts of Canadian Agri-Food Trade Alliance (CAFTA).

CAFTA is an industry group seeking the creation of an open, market-oriented, tariff and subsidy free agricultural trading system. CAFTA represents over 80% of Canada's farm cash receipts and thus their views should have at least equal weight with other national industry organizations in shaping Canada's position for world agriculture negotiations. Passage of the new U.S. Farm Bill demonstrates the need for Canada to step-up its support in WTO negotiations for an agreement that includes substantial reductions in domestic support.

The AGC met with a CAFTA board member in 2002 to discuss progress on WTO negotiations and CAFTA's concerns regarding Canada's rejection of the proposal of the Cairns Group (a group of mid-sized agriculture exporting countries seeking market liberalization).

Fusarium

Alberta must be pro-active to minimize the threat of fusarium head blight to this province's grain industry. Early in 2002, the AGC indicated support in principle for a workable zero tolerance approach to *Fusarium graminearum* and continued as a member of the Fusarium Response Committee. As the year progressed, and feed shortages became more apparent, the AGC supported zero tolerance for seed and best management practices for feed as laid out in the Alberta *Fusarium graminearum* Management Plan.

The AGC recommended that special fieldwork testing be done through summer in the areas most susceptible to Fusarium Head Blight. The AGC felt that such an approach in managing the threat of this disease would help minimize the potential impact on Alberta's cereal grain industry. The AGC recommended that special attention be paid to land on which manure has been spread and land that is under direct control of cattle feeders.

After the release of the Alberta *Fusarium graminearum* Management Plan and Alberta's fusarium policy, much confusion still existed. The AGC hence recommended that a letter be sent out to all seed plants clarifying fusarium policy and expectations and the importance of adherence to the plan in order to keep Alberta free of this devastating disease.

Canadian Grain Commission (CGC) Issues

The AGC participated in the federal government's independent review of the CGC. The CGC Review Panel was assigned to recommend any changes to the *Canada Grain Act* needed to

ensure that the CGC be an effective organization given changes occurring in the grain industry and recommend how to optimize the contribution of the CGC to the Agricultural Policy Framework. The AGC responded with recommendations to five areas: governance, licensing and bonding, Kernel Visual Distinguishability (KVD), the grading system, and research. The AGC recommended a change in the governance structure to make the CGC more accountable. With respect to licensing and bonding, the AGC recommended that the CGC provide a set of regulations at a national level that every grain buyer of a specific volume must follow and that the CGC consider a mechanism for third-party insurance. The AGC recommended that the federal government set a target date at which time KVD will end in Canada, and that the responsibility of developing appropriate testing methods be delegated to the private sector and/or other government research centers where the government provides financial support to speed up the process of technology development. The AGC advised that the current CGC grading system is no longer necessary and that grade and specification should be between the buyer and seller. In transition from CGC grades to the “buyer specs” system, however, there may be a role for the CGC to “certify” the sellers’ claims for specific sales. The AGC recommended that the research component of the CGC be incorporated into the research component of the Agricultural Policy Framework and Agriculture and Agri-Food Canada in order to avoid duplication and increase the accountability of research.

Following the above independent review, the CGC developed a discussion paper, presenting the idea of variety eligibility declarations (VEDs) as an alternative to KVD. The AGC responded to this discussion paper and while agreeing that a move away from KVD is necessary, recommended that the idea of VEDs is not practical; the biggest concern would be liability. The AGC feels that this proposed system would add cost, time, create disputes, and generally would detract from the efficiency of the system. The AGC recommended that the public and private sector join forces and that all efforts be put forth to develop new technology, so that a viable alternative to KVD may be available in the near future.

Agricultural Policy Framework (APF) & Risk Management

The AGC applauds the vision of the Agricultural Policy Framework but acknowledges that the details have yet to be worked out to the satisfaction of farmers. The AGC believes that implicit in the APF is promotion of a free market where entrepreneurs can deal directly with customers and that the federal government has acknowledged that the industry must be innovative and adaptive in order to meet the challenges of the global marketplace. This may be an opportunity to see changes to the restrictive western grain marketing system.

Throughout the APF process, many AGC members were involved in consultation sessions and had opportunities to provide direction and suggestions to the risk management chapter of the APF.

In 2002-03, the AGC expressed concern about ad hoc payments and the need to improve the marketing of the crop insurance program so that farmers understand that crop insurance is their primary risk management tool. With the announcement of Alberta’s enhanced crop insurance program and the near completion of NISA negotiations, the AGC is pleased to see that many of their

recommendations (and the recommendations of the Crop Insurance Review Committee) have been heard. The federal and provincial governments are on the right track to providing a comprehensive set of effective risk management tools.

Feed Supply

The drought in southern Alberta in 2001 rendered barley supplies insufficient to meet feed barley demands. The devastating conditions of 2002 meant that feed grain supplies were not sufficient to meet demand and so once again corn imports from the U.S. were significant.

In 2002, the AGC hosted two joint meetings of the livestock and feedgrain industries, and sponsored the development of a synopsis document. This helped the Alberta feed supply chain to identify common issues and areas of common ground in order to work towards a stronger and more viable grain and livestock industry in Alberta. The AGC continues to work with both the grain and livestock sectors in recognition of the importance of the total system in Alberta.

Ethanol

Ethanol garnered more attention in Alberta in 2002-03 due to awareness of various climate change mitigation strategies, and the aggressive policies to develop the ethanol industry in Manitoba, Saskatchewan and the United States. Ethanol is one of the policy areas the AGC monitors on an on-going basis by maintaining liaison with a number of provincial departments and industry groups involved in this area.

Price Information

The most public role that the AGC is known for is being the provider of grain price information for use by Alberta farmers, industry and policy makers. The AGC produces two price series, a daily elevator price report and a weekly feedgrain price report. The prices are available through a phone-in service, Internet, and radio stations. This year the AGC surveyed some of the grain price users to determine how the information is used, whether it is seen to be accurate, timely, meaningful, and what changes might make the data more useful. Users indicated a great deal of satisfaction with the service and suggested some minor changes that would enhance its usability. These changes will be incorporated in the coming year. Internet user sessions for the daily prices increased 14% for daily street prices and 50% for the weekly feed grain price series.

Governance

On April 1 2002, the AGC and the Minister of Agriculture, Food and Rural Development signed a Memorandum of Understanding (MOU). The purpose of the MOU is to a) clarify mandates, roles, responsibilities, duties, accountability, and b) enhance the exchange of information and communication. In accordance with the MOU, the AGC developed a governance manual and an orientation program for new members.

In 2002, the AGC also prepared its first external policy manual for internal use, in order to ensure consistency on various industry issues.

This year, the AGC bid farewell to longtime members Pat Durnin, Ken Motiuk and Murray McLelland. The Commission welcomed new members Bob Hymas (farmer from Strathmore), John

Richter (farmer from Beiseker), Greg Porozni (farmer from Vegreville), and Dr. Stan Blade, (department representative from AAFRD's Crop Diversification Division).

Members of the Alberta Grain Commission 2002/03

Lloyd Annable - Carmangay, Alberta - Farmer Member
Dr. Stan Blade – Edmonton, Alberta – Department Member (effective June, 2002)
Eugene Dextrase - High Level, Alberta - Farmer Member (Chairman)
Pat Durnin - Kathryn, Alberta - Farmer Member (until July, 2002)
Doug Horner – Sturgeon County, Alberta - MLA Member (Vice Chairman)
Bob Hymas – Strathmore, Alberta – Farmer Member (effective September, 2002)
Murray McLelland - Lacombe, Alberta - Department Member (until May, 2002)
Ken Motiuk - Mundare, Alberta - Farmer Member (until July, 2002)
Jim Ness - New Brigden, Alberta - Farmer Member
Terry Niemela - Eckville, Alberta - Farmer Member
Lou Normand - Edmonton, Alberta - Department Member
Greg Porozni - Vegreville, Alberta - Farmer Member (effective August, 2002)
John Richter – Beiseker, Alberta – Farmer Members (effective August, 2002)
Harry Schudlo - Sexsmith, Alberta - Farmer Member

Staff of the Alberta Grain Commission 2002/03

Brenda Brindle, General Manager
Erin Holowach, Research Officer
Shirani Samaratunga, Administrative Coordinator (April – November)
Julie Toma, Research Officer
Maura Winterburn, Administrative Coordinator