

Stakeholder feedback on potential uses for accumulated surplus

This summary provides a review of comments the Canadian Grain Commission received from stakeholders during our discussion on potential uses for the accumulated surplus, which concluded on May 1, 2017.

Consideration of potential proposals for using the accumulated surplus is a separate process from the consultation on Canadian Grain Commission user fees for the 2018 to 2023 fee cycle.

Stakeholder comments will be evaluated and taken into consideration as we move forward with identifying a proposal, or proposals, that will maximize value for producers and the industry. The Canadian Grain Commission does not have independent authority to spend the accumulated surplus. We are working closely with Treasury Board Secretariat, Justice Canada, the Department of Finance, and Agriculture and Agri-Food Canada in considering all aspects. Prior to carrying out any proposal, stakeholders may have further opportunity to provide input.

Discussion process

On March 1, 2017, we released our discussion document, Potential Use of Accumulated Surplus, which provided several high-level proposals for using the surplus and their associated considerations.

This document was emailed directly to industry and producer stakeholders, including all Canadian Grain Commission licensees, producer organizations, industry associations and relevant government organizations. At the same time, a news release was issued. The document was posted on this website.

The consultation document was accessed over 1,000 times between March 1 and May 1, 2017. A total of 92 formal written submissions were received, including 56 form letters.

General comments

In general, the vast majority of stakeholders said that the Canadian Grain Commission's accumulated surplus should be directed towards activities that deliver clear benefits to producers. Stakeholders said producers should have input into how the surplus is used since they represent the primary source of the surplus fee recovery.

Many stakeholders recognized the value of investing in infrastructure and in the future. However, some stakeholders disagreed with using the surplus to fund proposals that would require capital investment because user fees were not explicitly collected for that purpose. They said that appropriation funds would be more appropriate.

Many stakeholders also said that the surplus should be used for only one initiative and that funding various proposals could diminish any meaningful impact to the sector.

Feedback on suggested uses of available surplus

Highlighted below are the prevalent stakeholder comments on information as presented in the discussion document.

Surplus reserve requirement

Stakeholders acknowledged the business rationale behind an operating contingency reserve, but a number of them questioned the magnitude of the Canadian Grain Commission's planned operating contingency reserve. Furthermore, some stakeholders said that no surplus funds should be devoted to an operating reserve. They also suggested a comprehensive analysis of Canadian Grain Commission business operating risks to determine a more appropriate operating reserve.

Investing in producers and the industry

1. Provide initial funding for a Producer Compensation Fund

A few stakeholders supported using some of the accumulated surplus to enhance the Canadian Grain Commission's Producer Protection Program and increase its effectiveness for producers. They recognized the potential sector benefits of a Producer Compensation Fund model, but said that further industry consultation is required on fund design prior to any program changes.

At the same time, a large number of stakeholders did not support investing the surplus in a Producer Compensation Fund. They said that this type of model could unfairly benefit new or less financially stable licensees and could lead to an overall increase in high-risk behavior by licensees.

2. Reduce Canadian Grain Commission prescribed fees for a fixed period of time

The majority of stakeholders supported using the entire surplus, minus a reasonable contingency reserve requirement, to reduce user fees over the 2018 to 2023 user fees cycle. Proposals for actual implementation of a reduction varied. Some stakeholders suggested setting fees to zero for a set time period to quickly drawdown the surplus, while a large number supported an equal per year fee reduction over the 2018 to 2023 period.

A number of stakeholders, however, did not support this proposal. They said that it is unlikely fee reductions would translate into increased profits for producers; instead any savings would be absorbed by grain companies. A fee reduction, they said, would not result in any meaningful long-term solutions to current concerns in the sector.

Investing in infrastructure and the future

In general, many stakeholders recognized the value of investing in infrastructure and in the future. Those that supported using a portion of the surplus for these types of initiatives stated that any investments must clearly add value for producers.

1. Upgrade the Canadian Grain Commission Grain Research Laboratory, office space and base building systems

A large number of stakeholders identified the clear value of the Grain Research Laboratory and the importance of maintaining a modern infrastructure at the Canadian Grain Commission.

2. Establish laboratories and real-time analytical testing at licensed terminal elevators or other locations to improve and enhance services to the industry

Some stakeholders voiced support for investing in laboratories and real-time analytical testing at additional locations. They said that it is in the best interests of producers to invest in the future by positioning the grain sector to be competitive and profitable in the long term. However, many stakeholders also said that project or business plans must be developed for stakeholder input prior to any type of infrastructure investment to ensure that there is a proven direct benefit for producers.

Alternative uses proposed by stakeholders

In addition to the proposals presented in the discussion document, stakeholders also provided alternative proposals for using the accumulated surplus.

1. Return surplus to producers

Many stakeholders said producers should be directly refunded for the surplus because they are the ones who ultimately paid the Canadian Grain Commission service fees that contributed to the surplus. A number of them recognized the impractical administrative challenge of this action and, as an alternative, supported reducing user fees over a fixed time period. Fifty-six form letters were received from producers calling for a direct refund of the surplus.

2. Modernize services

It was suggested that the surplus be used for initiatives to modernize Canadian Grain Commission services in order to add value for producers and improve Canada's competitiveness. Proposals included:

- updating the grain grading and standards system
- developing improved market information
- implementing 24/7 vessel loading
- improving monitoring and grade validation during vessel loading
- improving producer grain grading services
- developing better mycotoxin testing procedures
- implementing dispute resolution services
- investing in promotional activities to increase awareness of the Harvest Sample Program
- improving the 'Subject to Grade and Dockage' service

3. Audit industry equipment and grading assessments

It was proposed that a portion of the surplus be used to implement a pilot program for random auditing of grain company dockage machines and producer delivery sample assessments and if warranted, the Canadian Grain Commission should implement full-time auditors.

4. Support plant breeding

It was suggested that a portion of the surplus be provided to breeders of new crop varieties in order to discontinue the practice of royalty charging.

5. Purchase new railway cars

It was proposed that the surplus be used to purchase new railway cars to replace the aging fleet; these railway cars would be owned by producers.