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Canada

Grain and Feed

Canadian Grain Commission Announces Grain on the Ground Discussion Paper 2000

Approved by:

Norval E. Francis, Jr.

U.S. Embassy

Prepared by:

Matthew A. Cahoon

Report Highlights:

In Fall 1999, the CGC became aware of several primary elevators that had stored grain on the ground without seeking permission. The CGC's current position is that grain stored on the ground cannot be subsequently received into a primary elevator. The industry has expressed dissatisfaction with the current CGC policy. The industry's concerns have led to a CGC review of the grain on the ground policy with several options for change presented.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Ottawa [CA1], CA

CGC Releases Grain on the Ground Discussion Paper

The following was taken from a Canadian Grain Commission (CGC) news release. Begin text.

Issue

Licensed primary elevators are required under Section 18 (a) of the Canada Grain Regulations to store all grain received in an elevator building. The purpose of this regulation is to protect the overall quality of Canadian grain by preventing grain damaged from exposure to weather, insects or wildlife from entering the handling system. In years with large harvests, primary elevator operators would like to be able to store grain on the ground, and then later move it through the elevator building for storing, cleaning and/or shipping.

The CGC may, on request, grant an exemption to Section 18 (a) and impose conditions intended to protect the quality of the grain in the primary elevator. The CGC's current position is that grain stored on the ground can not be subsequently received into the elevator building. While it is unknown how many primary elevators were actually storing grain on the ground during that time period, it is clear that some were doing so without requesting permission. If the CGC is not aware of grain being stored on the ground, it cannot impose conditions to ensure the quality of grain in the grain handling system.

Background

A Memorandum to the Grain Industry sent on October 21, 1999 represents the CGC's current position on the issue of grain on the ground. It states that the CGC may allow the storage of grain on the ground, if the elevator operator also holds a grain dealer's license and agrees to the following conditions:

- a grain receipt is issued upon receipt of the grain, acknowledging that the grain dealer has purchased the grain and entitling the producer to payment for the grain, or;
- a cash purchase ticket is issued in payment for the grain; and
- the grain stored on the ground is not subsequently received into the elevator building.

This memo also advised the industry to apply to the CGC's Licensing Unit for permission to store grain on the ground.

In the fall of 1999 the CGC was made aware of several primary elevators that stored grain on the ground without seeking permission. Legal council for the CGC sent letters to the operators of these elevators. They were advised that, because they may not have been aware of the regulations governing the storage of grain on the ground, the CGC would grant special permission to move grain stored on the ground through the elevator under the following conditions:

- If the grain was to be shipped to a terminal where it would be inspected and cleaned, then the

grain must be loaded into rail cars via the leg in the elevator, locked-out from the rest of the facility. The CGC was to be advised of the rail car numbers so that we could check these cars for quality damage and infestation at unload.

- If the grain was to be shipped by direct hit then, in addition to the above, the CGC was to monitor the loading of the grain, and take samples in order to evaluate the quality of the grain.
- The grain was to be purchased under a grain dealer's license and grain receipts were to be issued to acknowledge the purchase.

The CGC's "Alternative Grain Storage" policy of October 1996 also allowed for grain that had been stored on the ground to be moved through a primary elevator. The conditions of that policy were:

- elevator equipment was to be used only to weigh and ship the grain,
- appropriate lock out procedures were to be used to prevent the grain from entering the elevator's bins, and
- grain that was to be stored on the ground must be purchased under a grain dealer's license.

The policy also stated that the CGC's Licensing Unit must be advised of the amount and type of grain being stored on the ground, the location of the grain, and how it would be handled for shipping.

Analysis

The industry has expressed dissatisfaction with the CGC current policy. They would like to have the option of storing grain on the ground and to subsequently move it into their facilities. They argue that:

- Our current policy limits producers' ability and timeframe to market their grain.
- The CGC's current policy does not protect the quality of grain shipped to terminals, by direct hit to vessels, or directly to buyers in Canada or the U.S. There is nothing in the policy to prevent elevator operators from auguring grain that has been stored on the ground onto a truck and then on to a rail car for shipment to a terminal or to a buyer in Canada or the U.S.
- If primary elevators do not accept the grain because of limited space, the grain will likely be stored on the ground by farmers, in more remote areas that may be closer to wildlife.
- Grain dealers can store grain on the ground and subsequently move it through the grain handling system without any requirements for CGC quality assessments.
- Primary elevators will be responsible for any downgrading that might result from storing grain on the ground, so there will be no harm to farmers.

The industry's concerns about the CGC's current policy have led to this review of the CGC's grain on the ground policy. In developing an improved policy, the CGC's mandated responsibilities must also be addressed. The CGC's mandate as set out in the *Canada Grain Act* is to, in the interests of producers, maintain standards of quality for Canadian grain and regulate grain handling in Canada, to ensure a dependable commodity for domestic and export markets. Given this mandate, the CGC has two primary concerns about storing grain on the ground:

- It is against Section 18 (a) of the Regulations, which is intended to protect the quality of Canadian grain.
- The CGC expects to see more grain being stored on the ground in the future, especially in years of large harvests, because of the competition for grain among primary elevators, and the need for increased segregation within the handling system to accommodate the greater number of different crops now being grown. As more grain is stored on the ground, there is a bigger threat to the overall quality reputation of Canadian grain. If that quality reputation is harmed, there is harm to farmers.

At the same time, the CGC does not want to limit producers' ability and timeframe to market their grain. Nor does the CGC deny that farmers store grain on the ground, limiting the effectiveness of any conditions we impose on licensed primary elevators. However, the CGC does not regulate farmers. The CGC can only advise them not to store grain on the ground.

The CGC is also concerned about its ability to monitor and enforce Section 18 (a) because of its limited presence in the country. It is difficult for the CGC to impose conditions designed to protect the overall quality of the grain if primary elevators do not ask for permission to store grain on the ground.

Options

1. Enforce the regulation and do not allow any grain to be stored on the ground.

Pros • best protection of the quality of grain

Cons • limits farmers' marketing options
 • some grain companies find this unsatisfactory

2. Allow grain to be stored on the ground, but do not allow it to be subsequently moved into the primary elevator (i.e. the current policy)

Pros • protects the quality of grain in the primary elevator

Cons • does not necessarily protect the quality of grain going to terminals, to vessels, or to buyers
 • several grain handling companies have already indicated that they find this policy unsatisfactory

3. Allow grain to be stored on the ground, and to be moved into the elevator, but only for weighing and shipping. Lock out procedures must be used to ensure the grain that has been stored on the ground does not get into the rest of the facility. CGC monitoring of the weighing and shipping of grain that has been stored on the ground, at the primary elevator's expense, would be required.

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| Pros | <ul style="list-style-type: none">• protects the quality of the grain in the primary elevator• monitoring will alert the CGC of any quality deterioration or infestation before the grain reaches the terminal, vessel or buyer |
| Cons | <ul style="list-style-type: none">• may not be sufficient Prairie Region staff to provide timely monitoring• industry will oppose the additional costs of monitoring• the cost of monitoring could act as a deterrent to seeking permission to storing grain on the ground |

4. Allow grain to be stored on the ground, and allow it to be moved into the elevator for storage, cleaning, weighing and shipping under the following conditions:
 - For shipments to a terminal – rail cars will be flagged by the CGC for suspect infestation unless the cars are previously inspected. Extra CGC monitoring costs at the terminal associated with suspect cars will be charged back to the shipper.
 - For shipments to the U.S. – on site sampling by CGC staff for quality evaluation and infestation monitoring will be required at rail car loading.
 - For direct hit shipments to Vancouver, Prince Rupert or Thunder Bay – samples for quality evaluation and infestation monitoring will be required at car loading. These samples can be taken by a remote sampler or by CGC staff, depending on the location
 - For shipments to domestic mills and crushers – elevator operators will be required to submit samples to the CGC for testing. If there are any complaints from domestic receivers about the quality, and if the submitted sample and the unload sample do not match, the CGC will immediately remove the submitted sample condition and replace it with a requirement for official inspection. Samples for official inspection can be taken by a remote sampler or by CGC staff, depending on the location.

These conditions will apply only to shipments of the type of crop that had been stored on the ground. They will come into effect when the grain is moved off the ground, and remain in effect until all grain that had been stored on the ground has been shipped from the elevator. This will be based on a stock report that the primary elevator operators will be required to submit to the CGC when all grain is off the ground.

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| Pros | <ul style="list-style-type: none">• extra monitoring at terminal will help to ensure that the spread of any infestation is curtailed |
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- monitoring at car loading for U.S., domestic processors, or for direct hit shipments will alert the CGC of any quality deterioration or infestation before the grain reaches the end user or the vessel
- protects the quality reputation of Canadian grain
- Prairie Region staff will not have to be on site for all shipments from facilities storing grain on the ground

- Cons
- may not be sufficient Prairie Region staff to provide timely service
 - industry will oppose the additional costs of monitoring
 - the cost of monitoring could act as a deterrent to seeking permission to storing grain on the ground

5. Do away with the regulation.

- Pros
- some members of the industry would support this
 - the CGC would not have a regulation that we have difficulty enforcing
 - maximizes farmers delivery opportunities

- Cons
- the quality reputation of Canadian grain might be compromised
 - calls into question the definition of a primary elevator and the rules requiring them to keep grain in good condition

Recommendations

1. Option 4 is recommended. This option provides the industry with the greatest flexibility to accept producers' grain while still allowing the CGC to fulfill its mandate.
2. There must be a deterrent to storing grain on the ground without permission from the CGC for option 4 to be effective. If operators do not ask for permission, the CGC will not be able to impose any conditions to help ensure that grain quality is protected. It is therefore recommended that the CGC suspend a primary elevator's operations for 7 days if they are found to be storing grain on the ground without permission. Unless there is a sufficient deterrent, it is likely that some primary elevator operators will store grain on the ground without permission to maintain market share and to avoid the additional CGC monitoring costs option 4 will impose.
3. It is recommended that the current requirement to purchase grain that is to be stored on the ground under a grain dealer's license be discontinued. This requirement is costly for those licensed primary elevators that do already own a grain dealer's license and is not required for the grain on the ground policy to be effective.
4. It is recommended that this policy be applied to all grain stored on the ground by licensed primary elevators. This would include grain stored on the ground for relatively short time periods while awaiting drying and/or cleaning on the request of a farmer.

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