

GRAIN GROWERS OF CANADA
POLICY MANUAL
2010

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WHO ARE THE GRAIN GROWERS OF CANADA?

The Grain Growers of Canada is a national organization comprised of major grain, pulse and oilseed commodity groups that stretch across the country. We are devoted to representing grain, pulse and oilseed producer interests in national policy development.

Our member organizations, which represent most regions of the country, are:

- Alberta Barley Commission;
- Alberta Oat, Rye and Triticale Association;
- Alberta Pulse Growers
- Alberta Winter Wheat Producers Commission;
- Atlantic Grains Council;
- British Columbia Grain Producers Association;
- Canadian Canola Growers Association;
- Canadian Young Farmers Forum
- Manitoba Corn Growers Association;
- Oat and Barley Council of Ontario
- Prairie Oat Growers Association
- Western Barley Growers Association; and
- Western Canadian Wheat Growers Association;

VISION, MISSION AND PRINCIPLES

A) VISION

An agriculture environment with opportunity for Canada to achieve its potential.

B) MISSION

Creating opportunities for Canadian grain farmers.

C) PRINCIPLES

The GGC's principles, as developed by farmers, are to:

- Pursue a grower-driven, competitive agricultural trading environment based on comparative advantage and open markets;
- Act with integrity.
- Government policies should be transparent, non-distorting, and subject to periodic review, if government involvement is warranted.
- Advocate policies that will attract investment in a competitive value-added processing industry and stimulate innovative research and development.
- Advocate policies that cultivate consumer confidence through an agricultural industry that is environmentally sustainable, fosters responsible stewardship, and utilizes rigorous science to continue to provide a safe food supply.

INTERNATIONAL TRADE

A) POLICY OBJECTIVES

It is in the best interests of Canadian farm families that the world comes to an agreement that would liberalize agriculture trade.

Grains and oilseed producers must obtain the following three key concessions from our trading partners:

- (a) significant increases in market access for grains, oilseed, and their value added products;
- (b) the elimination of export subsidies; and
- (c) significant reductions in distorting domestic support.

B) BACKGROUND - WHY TRADE MATTERS AND WHAT ARE THE BENEFITS OF LIBERALIZATION

90% of Canadian farmers depend upon the world market for the determination of their price and marketing opportunities. The importance of international markets is not restricted to any single region of the country. Trade and the distortions caused by foreign interference matter from coast to coast.

It has been estimated that European Union United States subsidy regimes cost Canadian grains and oilseed farmers at least \$1.3 billion every year. These subsidies hurt all grains and oilseed farmers. For example, even a farmer who sells feed grain to his neighbour is negatively impacted by foreign interference in world markets because the price he receives is determined on the world market.

The impact of interference in world markets extends beyond subsidy programs.

Studies have concluded that the elimination of foreign tariffs on our export products over the next 10 years would bring another \$422 million annually to Canadian wheat producers, \$236 million annually to barley producers and almost \$80 million annually to corn producers. Tariff barriers on our value added products are preventing the expansion of the Canadian agri-food processing industry and costing Canadian jobs, especially jobs in rural Canada.

Real gains in international negotiations can reverse this trend. For example, India, the world's largest importer of edible oil, places an 85% tariff on canola oil imports. This has effectively cut off Canadian exporters from helping to supply this lucrative and growing market. A growing market for malting barley and malt in China provides another example of an opportunity for Canadian farmers. In 2000, China consumed 20 million tonnes of beer, produced from 3 million tonnes of malting barley. This consumption rate can be expected to grow at a rate of 5-6% annually.

Nearly two thirds of Chinese demand for malting barley is met by imports. In 2001 Canadian exports were worth \$106 million and accounted for approximately 25% of Chinese imports of malting barley. The prospects for malting barley and malt exports into China have benefited from China's entry into the WTO. As of January 1, 2002 the import tariff on malt was reduced to 10% (vs. an import tariff on malting barley of 3%). Oilseed opportunities in China provide another example of the benefits of trade. China currently has a tariff rate quota of 879,000 tonnes for canola oil imports. Imports above this amount are restricted by the prohibitive tariff. By 2006, this tariff rate quota will be eliminated and all canola oil entering China will be subjected to a tariff of 9%.

This is a significant factor when one considers that vegetable oil consumption in China has doubled in the last ten years to reach approximately 12 million tonnes annually. It is estimated that vegetable oil consumption will continue to increase at a rate of 500 - 600,000 tonnes annually. This growth in Chinese demand and the lowering of trade barriers presents Canadian farmers with an excellent opportunity for market expansion. However, the Chinese examples also provide us with an example of the progress that still must be made. In 2000, the Chinese government imposed a value added tax on imported soybean meal to discourage the importation of value added products such as meal and processed oil. Just as in the tariff escalation issue, actions of this nature will discourage the development of value added processing in Canada, and will restrict our grains and oilseed farmers' ability to supply the rapidly expanding Chinese livestock industry.

C) BACKGROUND - CURRENT WTO NEGOTIATIONS

The Grain Growers of Canada are strongly supportive of Canada's decision to sign on to the framework that was agreed to by the WTO's General Council on July 31, 2004. We believe that the framework will allow us to accomplish many of our trade goals. Specifically this framework will allow for:

- the negotiation of an end to all forms of export subsidies, including the subsidy elements of export credits and food aid;
- substantial reductions in trade distorting domestic support with the assurances that the highest subsidizers will face the greatest cuts;
- increases in market access for grains, oilseeds, and their value added products;
- a curtailment of the practice of charging higher tariffs on processed products (tariff escalation); and
- better definitions and independent monitoring of programs that are supposed to be non-distorting ("green" programs).

The GGC notes that this framework agreement is not perfect. For example, we would have preferred to see "blue box" provisions eliminated entirely along with more coherent and aggressive guidelines in the area of market access that affect grains and oilseeds. However, despite the imperfections, we support the Government of Canada's decision to use this framework as the basis of future negotiations.

However, this framework agreement is not an end to the WTO negotiations. We must now begin the difficult task of negotiating the specific modalities that will fulfill the WTO mandate.

AGRICULTURE SAFETY NET PROGRAMS

A) POLICY OBJECTIVES

Grains and Oilseed farmers need a safety net regime with three basic pillars:

1. affordable and effective crop insurance;
2. stabilization of incomes to cover natural disasters or other serious price declines; and
3. a program element that will offset the impact of trade injury

The safety net programs under the Agriculture Policy Framework do address items (1) and (2). However

the problems caused by foreign interference in world markets remain to be resolved. The GGC has a standing proposal for a Trade Injury Compensation Program that would address these concerns. This design has widespread support within Canada's agriculture community

B) BACKGROUND - IMPACT OF FOREIGN MARKET INTERFERENCE

Net income for Canada's grains and oilseed producers continues to be depressed below the natural prices that would be obtained in an undistorted world market. At the heart of these artificially low prices is the growing gap between safety net support in Canada and subsidies handed out by our trading partners. For example, according to the latest estimates (for 2002) from the Organization for Economic Cooperation and Development (OECD), European wheat farmers received 46% of their income from government and US wheat farmers received 30% of their income from government. At the same time Canadian wheat farmers only received 18% income support from the federal government.

Using Agriculture and Agri-Food Canada's statistics, we have estimated that farmers absorb approximately \$1.3 billion in trade injury each year. This calculation is only for the six major grains and oilseeds (durum, wheat, barley, canola, corn, and soybeans).

The negative impact of artificial world prices continues to grow as the domestic support paid out by our trading partners continues to rise. Depressed world prices, caused by rising foreign subsidization, are having a secondary impact on Canadian grain and oilseed farmers. Canada's principal safety net programs are based on historical revenues. Because our grains and oilseed producers receive world prices, these revenues have been falling as a direct result of rising foreign subsidies. This means that Canadian safety net spending will decline at a time when it is needed the most - when the negative impact of foreign subsidies on world markets is increasing. This situation is unique to the grains and oilseed industry in Canada. No other sector of Canadian agriculture faces the same subsidy gap and few

producers are as dependent upon world markets. Therefore no other sector is harmed to the same degree by foreign interference in the market.

C) BACKGROUND - MITIGATING TRADE INJURY

The Grain Growers of Canada has asked the government to adopt, as part of the "risk management pillar" in the APF, a safety net program that will mitigate the negative effects of foreign trade policies and subsidies. This program should be in place until the burden of artificial world prices is eliminated. Program design would be based on a decoupled, fixed payment derived by a combination of historic yields, prices, and acreage to meet World Trade Organization guidelines for "green", or non-trade distorting programs.

Agriculture and Agri-Food Canada research shows that approximately 25% of the price declines experienced since 1995 are due to US and EU subsidies. This amounts to \$1.3 billion every years for wheat, durum, barley, canola, corn, and soybeans.

BIOTECHNOLOGY

A) POLICY OBJECTIVES

To ensure that the regulatory decisions made today to not significantly hinder farmers' ability to take advantages of upcoming developments in biotechnology, the Grain Growers of Canada support the principle that "regulatory decisions regarding the introduction of new plant varieties must be based on clear sound science."

B) BACKGROUND - CURRENT REGULATORY APPROACH

The significant use of GM corn, soybean, and canola by farmers across Canada provide examples of

the numerous markets for the products of genetic technology and the significant benefits to farmers of adopting these new products. These producer benefits, as well as advantages for consumers, will continue to grow as we move forward. Furthermore, the adoption of new technologies will increasingly become a key means by which Canadian grains and oilseed farmers compete on global markets. The approach used by the Government of Canada in approving plants and foods with 'novel traits' is generally considered to be the best in the world, and has been endorsed by groups such as the World Health Organization and the Organization for Economic Cooperation and Development.

The Canadian regulatory approach recognizes that there is potential health and environmental concerns - which merit thorough evaluation - associated with the introduction of all 'novel' crops and other biological organisms used as food. Plants in Canada are regulated on the basis of the traits expressed and not on the basis of the method used to introduce the traits. Plants with novel traits may be produced by conventional breeding, mutagenesis or recombinant DNA techniques. Before any new plants with novel traits are registered, licensed or used commercially, regulators must determine:

- the potential effect of the product on human and/or animal health; and
- the potential environmental impact of the product.

The CFIA is the lead agency responsible for regulating plants with novel traits and is responsible for:

- environmental assessments of agricultural products of biotechnology.
- inspection and monitoring so that registered products continue to meet quality and safety standards after their approval. This inspection and monitoring includes imported products that are products of biotechnology.

Health Canada is responsible for ensuring that all foods, including those derived from biotechnology, are safe for human consumption prior to their entering into the Canadian food system. All new plant varieties that fit the definition of 'novel' must be reviewed by Health Canada, under the guidelines established by the Novel Foods Regulations established under the Food and Drugs Act. The GGC is strongly supportive of Canadian regulatory processes for the approval of biotech crops. This process must remain science-driven, with decisions based solely on health and environment risk assessments.

C) BACKGROUND - BIOTECHNOLOGY AND INTERNATIONAL TRADE

Canada relies heavily on its exports of products into world markets. Free and fair trade in the global marketplace has long been an objective of many countries, including Canada. However, this objective continues to be elusive due to protectionist measures taken by countries to protect their domestic industries.

Canada must defend our approach, not weaken our legislation and regulation by introducing non-scientific factors into our regulatory regime. Adding unnecessary legislation would weaken our position in international markets, both in the short term as well as the long term. Protectionist measures can take many forms, including domestic support schemes, export subsidies, import tariffs, tariff rate quotas, and other restrictions designed to curb or alter the flow of free trade. Other protectionist measures are much more difficult to detect and are often categorized as non-tariff barriers to trade or technical barriers to trade. For example, trade barriers can emerge under the guise of human, plant or animal safety.

International trade agreements and international standards have evolved to cope with the problem of

non tariff barriers to trade, and to assist in creating an environment for fairer trade. Canada has signed on to key international agreements such as NAFTA and the WTO. To deter countries from implementing non-tariff trade barriers, both of these agreements contain specific sections on the application of sanitary and phytosanitary measures. Both agreements call for member countries to base their sanitary and phytosanitary measures on scientific principles. It is based on science because anything other than sound science leaves the door open for subjectivity, interpretation, misinterpretation, and therefore cannot be defended or justified. These are loopholes that invite disguised trade barriers to emerge.

Not only would introducing additional, non-scientific, regulations negatively impact farmers who are growing GM plants today, the GGC is concerned that additional regulations or legislation would set a precedent that could prevent the further introduction of GM products in Canada. The same applies for the international standards for food safety. Moving to a system of globally accepted and agreed upon standards helps eliminate distortions in world trade by reducing the ability of individual countries to hide behind unjustifiable domestic standards. The Codex Alimentarius Commission represents the world code of food standards. It is the world's authoritative reference on food standards, and is utilized by national food inspection systems, health authorities, the WTO, the food industry, scientists and consumer advocates. For some of the reasons mentioned above, the standards are science-based.

D) BACKGROUND - ADVANCED STAKEHOLDER REVIEW PROCESS (ASRC)

The GGC shares and understands the concerns that a new GM variety may have a negative impact on the marketing of Canadian grains and oilseeds. Concerns of this nature must be addressed before any new GM variety is introduced. It is the position of the Grain Growers of Canada that the evaluation of the non-science based factors should be carried out by industry and not delegated to the government's regulatory approval process.

This view has led to the development of the Advanced Stakeholder Review Process. It must be recognized that the industry Task Force report is not a final document and some issues still need to be resolved. There are a number of key questions that need to be addressed by the grains and oilseed industry before the introduction of a new product of modern biotechnology.

1. Have our key markets given regulatory approval to the new products?
2. Are there markets that are willing to accept the new variety?
3. Are identity preservation / segregation systems for the new variety necessary and are these systems in place?
4. Are appropriate international and domestic standards in place for issues such as adventitious presence of the new variety?
5. Are standardized testing systems available?

While this is not an exhaustive list of the issues that may need to be resolved in the future, an affirmative answer to each of these questions would help ensure that the international and domestic markets for Canadian grains and oilseeds are preserved after the introduction of new varieties.

E) BACKGROUND - LABELING PRODUCTS OF MODERN BIOTECHNOLOGY

It is the policy of the Grain Growers of Canada that mandatory labelling requirements should be based on sound science. For example, nutritional content or potential allergenic concerns. All other labelling issues related to consumer choice or preference should be based on a voluntary system.

The Grain Growers of Canada supports the system developed through the General Standards Board of Canada that will pave the way for voluntary labelling of products that contain genetically modified

commodities. These may be positive claims, such as an indication that a product contains a GM commodity that may make it more attractive to consumers. These claims may also be negative ("does not contain"). A key component of the system developed through the General Standards Board is the concept of "truth in labelling." For example a claim that an apple "does not contain GM" would have to be accompanied by a notice that no apples in Canada contain the products of modern biotechnology.

GRAIN MARKETING

A) POLICY OBJECTIVES

Grains, oilseed, and pulse crop farmers in all regions of Canada should have the right to determine their own marketing systems. Producers need to be able to use their skills and abilities to fully control their business marketing needs and to determine whether they wish to sell locally, internationally or to participate in value added processing plants and niche markets (e.g., organic grains, identity preserved marketing programs). In the Canadian Wheat Board's (CWB) designated region of Western Canada, it is clear from recent polling and surveys that western barley producers want two things:

First, a clear majority want marketing choice and second, a clear majority want the CWB to be an active participant in an open market. The Grain Growers support both of these objectives.

The Grain Growers of Canada respects the wishes of all western farmers in their desire to continue to use the CWB as a marketing option – without a monopoly, and encourage the CWB to do the same.

B) BACKGROUND - CONCERNS WITH CURRENT CANADIAN WHEAT BOARD MARKETING STRUCTURE

Change in the way Canada markets its grains and oilseed is a key policy objective for many grains and oilseed producer in western Canada. New opportunities are developing in high valued niche markets.

The potential for increased revenue from value added processing is growing. Both of these key

marketing areas will only become more important in the future as the benefits of the life sciences industry begin to be realized to a greater degree.

Our farmers must be able to move into new and high value areas of production if Canada is going to compete, especially if one considers the growing world production of bulk grains and oilseeds. Our producers need maximum marketing flexibility to accomplish this goal, a flexibility that does not currently exist. One can look at the differences in the level of processing between commodities controlled by the Canadian Wheat Board (CWB) and those that are independently marketed to see an illustration of the impact that the marketing restrictions are having on Canadian value added processing.

For example for the 2002/03 crop

year1:

- 2% of Canadian barley production went into food or industrial use;
- 7% of Canadian durum production went into food and industrial use; and
- 22% of wheat production went into food and industrial use.

Clearly we have a significant way to go before we can say that we have achieved our goals in the area of value added processing. Compare this to the Canadian oilseed sector where, for the 2002/03-crop year, 76% of soybean production and 53% of canola production was absorbed by domestic food and industrial uses. The Ontario Corn Producers report that Ontario processes 2.1 million tonnes of corn annually from an average crop of 5.4 million tonnes. Ontario's industrial processing rate of 39.6% compares to 25.5% in the US.

Corn is processed into sweeteners, fructose, dextrose, corn oil, gluten, flour, meal, citric acid starch, beverage alcohol, ethanol, as well as starch-based resins for products like paints, inks, and pet food

coatings. The Ontario Wheat Producers Marketing Board that approximately 55% of Ontario's wheat production (based on an average crop of about 1,000,000 tonnes) is processed domestically. This is over twice the national average of 22%. The question must be asked, "why is value added processing in these other sectors of the Canadian grains and oilseed industry so much further advanced than the grains under the jurisdiction of the Canadian Wheat Board?" Examples of lost opportunities are evident. Malt plants have been built or expanded in the US, when they could have been built in Canada. Farmers have been frustrated in their attempts to develop new processing 1 Canadian Grains and Oilseeds: Supply and Disposition: October 2003, Agriculture and Agri-Food Canada plants based on the new generation co-op model. Niche marketers, like organic farmers have faced impediments that do not exist for commodities outside of the CWB's jurisdiction or by their competitors. This is why the GGC continues to recommend that Western wheat and barley producers be given the same marketing opportunities that exist in other regions of Canada and for other commodities.

GRAIN HANDLING AND TRANSPORTATION

A) POLICY OBJECTIVES

The Grain Growers of Canada encourage the development of a commercially orientated, contractually driven grain handling and transportation system. This system was envisioned by the late Justice Estey, and significant progress would be made if his recommendations for regulatory change were adopted.

B) BACKGROUND - GRAIN HANDLING AND TRANSPORTATION

Real reform to the grain handling and transportation system, as recommended by the late Justice Estey, Aurthur Kroeger, and the review of the Canadian Transportation Act, would deliver hundreds of millions of dollars in savings each year. These reforms have been recommended for years and need to be put in place today. The lack of commercial relationships in western grain transportation has prevented the

development of an efficient and effective system. Attempts to modernize and consolidate the grain handling system have been frustrated, resulting in higher costs for farmers. Because of the lack of commercial accountability, the system is unresponsive to changing needs in demand and is prone to breakdown and delays. Lack of responsiveness to the needs of our customers has caused lost marketing opportunities and lost income for farmers. Furthermore, the inability of the transportation system to adapt to a demand driven system is hampering the development of the identity preservation and segregation systems that are going to be required to meet the future needs of Canada's grain industry. The government of Canada, as well as the grain industry, has spent millions of dollars and countless hours researching and consulting on these issues. Unfortunately we have recently seen policy changes that are moving the western grain handling and transportation system backward, away from a more competitive, commercially driven system. Reform to the grain handling and transportation system will improve the competitiveness, efficiency, and reduce the costs faced by Canadian industry.

C) BACKGROUND - DISPOSITION OF THE FEDERALLY OWNED HOPPER CAR FLEET

Recently there have been significant discussions and proposals regarding the transfer of the Government owned hopper car fleet. The Government of Canada owns about 13,000 hopper cars. An additional 5,000 (approximate) publicly owned cars are split between the Canadian Wheat Board, the government of Saskatchewan and the government of Alberta. There is concern that the introduction of another outside party into the allocation and transportation mix will reverse recent efficiency gains and cost reductions.

The GGC believes it is very important to ensure that the relationships that develop are as commercial and contract driven as possible. This will minimize the possibility of reversing the recent efficiency gains and cost savings. The GGC is concerned that if the new owners of the cars are able to use them to focus

on priorities other than efficiency, cost minimization, and a just in time delivery system, the possibility of another system failure will be significantly increased. This is why we advocate that the transfer of the hopper cars should be as commercial as possible. For this reason:

a) It is important that the new owners be required to negotiate a long term operating agreement with the two class one carriers before transfer is completed. This will reduce uncertainty and increase system participants' ability to accurately predict the future railcar capacity.

b) It would be beneficial to minimize the conditions regarding car usage that are associated with the transfer. Some conditions will no doubt be necessary, but each condition will move the system further away from the commercially accountable system recommended by Justice Estey.

c) It is important to ensure that the new car owners are not given allocative authority. That is, the transfer should not entitle the new car owners to become involved in the decisions regarding railcar allocation and placement. The allocation and placement decisions should be driven by commercial considerations and made between the grain handlers and the railways.

Again, this is to ensure that the system does not move away from the objective of delivering the right grain to the right port at a minimal cost.

d) Sales to the US of Canadian hard red spring wheat are currently being blocked by a 15% tariff.

Transportation policies are one of the reasons cited for this tariff. The Canadian government must find ways of relieving these tensions. Therefore extreme caution must be employed to ensure that the disposition of the hopper cars does not exacerbate existing trade problems.

BIO-PRODUCTS INDUSTRY

A) POLICY OBJECTIVES

The GGC encourages the development of effective policies would facilitate the creation new infrastructure necessary for the development of Canada's bio-products industry and ensure that the business climate of Canada is geared for proactive innovative opportunities with supportive research and development. An effective bio-products policy is one that would encourage the development of bio-products that are made in Canada and derived from Canadian feedstocks.

While ethanol and bio-diesel are critical elements to the bio-products industry, other facets should not be ignored. For example, extensive research is going on in fractionating barley into components (e.g., beta glucans) for uses in functional foods and nutraceuticals. Corn can be used to make a plethora of bioproducts, such as biodegradable plastics, fuel ethanol, and industrial biochemicals; and the development of a strong Canadian bio-products industry that can take advantage of all of these opportunities would provide an important market for Canadian grain and oilseed producers. Additional valued added markets gained through the development of bio-products, can help reverse the impact of trade injury caused by foreign interference in commodity markets.

B) BACKGROUND - BIO-PRODUCTS INDUSTRY

Renewable energy, such as ethanol and bio-diesel fuel, presents Canada with unique opportunities for improving air quality in our urban centres, working towards the commitments outlined in the Kyoto Protocol, and provides value added processing opportunities for our grains and oilseed farmers.

We believe that this is an area in which Canada can excel on the international stage. Unfortunately this is not the case. For example, Canada's current production of ethanol falls far short of domestic demand, forcing the importation of ethanol from abroad.

On average the United States builds a new ethanol plant every month. This compares with one new Canadian ethanol plant in the last ten years. Clearly Canada is at risk of falling behind our largest trading

partner in this field. It is also important to note that the technology for bio-diesel fuel production has also made significant progress. We are now in a position to commercially provide bio-diesel (e.g., made from soybeans or canola). Bio-diesel fuel is a value-added opportunity that needs to be pursued. The bio-products industry extends beyond ethanol and bio-diesel fuel. Commercial opportunities also exist for the production of polylactic acid from cornstarch used to make clothing and films, wheat straw fibreboard, etc. We believe that the Government of Canada can assist in the development of the bioproducts sector with appropriate policy developments.

Effective policies would encourage the creation new infrastructure necessary for the development of Canada's bio-products industry and ensure that the business climate of Canada is geared for proactive innovative opportunities with supportive research and development. We must emphasize that an effective bio-products policy would encourage the development of bio-products that are made in Canada and derived from Canadian feedstocks. Policies that encourage the development of an industry that processes foreign grains and oilseeds would not be considered a success.

ON FARM FOOD SAFETY

A) PRINCIPLES FOR ANY ON-FARM FOOD SAFETY PROGRAM

1. Program must be commodity specific, rather than whole farm.
 - Note: a whole farm option could be retained if it was done on a voluntary basis for individual farms.

2. Participation in the program by a commodity group will be market driven (i.e., is there a demand for an on farm food safety program) and voluntary.

3. Least cost principles must be followed

- Multiple audits are not necessary. Even though the program is commodity specific, any audits conducted can cover all participating commodities.
- Extensive audits are not necessary. Random audits (e.g., 5% of the program per year) would be sufficient.

4. The certifying body must be overseen by a Management Board comprised of grain and oilseed producer representatives from all commodity organizations that have chosen to participate in the on farm food safety program. The Management Board will also include representation from the Canadian Food Inspection Agency.

5. Appeal process and ombudsman must be available.

6. Program should only be related to safety issues not quality concerns.

7. Growers will keep and own the records.

8. The program must be cost shared (governments, industry, farmers) in such a manner to ensure that the cost burden does not disproportionately fall upon producers. Farmers' "in kind" contributions (in terms of time, record keeping, etc.) are a sufficient burden for producers and will cover the farmers' share of the system costs.

B) BACKGROUND - ON FARM FOOD SAFETY PROGRAMS

The Government of Canada has been working with farm groups to develop on farm food safety

programs. These projects are part of the Agriculture Policy Framework. The issue of food safety has not impacted the marketing of grains and oilseed farmers to the same degree as producers who run the livestock, poultry, or mixed operations. These industries' products are much closer to the consumer. This explains why food safety programs are much more advanced in these other areas than they are for grains and oilseeds.

However, the development of these programs for our industry is progressing rapidly and we must pay close attention to the process. These programs are coming, and if we fail to direct the development to meet our needs we run the risk of having a system imposed on us that is designed for the other sectors. This would likely mean a system that far exceeds the market demands from our customers. The driving forces behind the development of on farm food safety programs have come from consumers. The majority of this demand directly relates to meat and dairy products. Very legitimate concerns regarding food borne illnesses have promoted these industries to bring forward processes that will help assure consumers that every step is being taken to provide safe food.

On farm food safety systems involve setting standards for an industry, then following up with an audit process to ensure that these standards are being met. An example for the grains and oilseed sector involves the pre-harvest application of herbicides. Farmers would be required to record the date and quantity of chemical applied, as well as the date of harvest. This is to ensure that the pre-harvest interval included on the chemical label has been followed. An audit would follow to confirm that the correct record keeping has been adhered to and the process has been implemented correctly. There is the potential for this audit process to become quite extensive. An annual comparison between beginning and ending herbicide inventories and the recorded rate of application is one example of an in-depth audit process. The GGC does not believe this level of detail is necessary.

We must be ready to meet customer demands. Some of our customers are asking for assurances that proper controls are in place. Strict tolerances regarding residue limits by Japanese buyers are one example. Still, it is necessary to point out that these demands are far less rigorous, and will remain far less rigorous, than the food safety demands in other sectors of agriculture. The cost implications of these programs are not low. This is why grains and oilseed producers need to resist the pressure to impose the more demanding criteria in other sectors on the food safety program developed for our industry.

ENVIRONMENTAL POLICIES

A) POLICY OBJECTIVES

The environment is another area of key concern to grains and oilseed producers. Producers are the caretakers of agricultural land. Some have said that farmers were the first environmentalists, as they must preserve and foster the soil's ability to produce in order to continue farming. However, farmers do have a number of concerns about the development of environmental policies. Farmers across the country are concerned that they will bear a disproportionate burden of the costs required to implement environmental initiatives designed to meet objectives of Canadian society as a whole.

It must be a fundamental policy that all environmental initiatives must be both economically sustainable as well as environmentally sustainable. Neither the environmental goals nor the economic goals for the agriculture sector will be realized if both aspects of sustainability are not considered.

B) BACKGROUND - PESTICIDE HARMONIZATION

The GGC encourages the development of a seamless joint registration process for crop protection

products in the United States and Canada. We believe this approach will alleviate the concerns of producers on both sides of the border who want more equitable availability to crop protection products, and will simplify the registration process for manufacturers allowing them to complete reviews more quickly and economically. Some progress has been made towards the goal of a harmonized regulatory process through the NAFTA Technical Working Group (TWG). Progress has also been made in recent years in the actual joint registration of pesticide products.

However, there are several significant remaining concerns regarding the current regulatory approval processes between Canada and the US. In order to be effective, any system must provide an incentive for registrants to opt for joint rather than individual registrations. This is not yet the case. We believe that expedited reviews and lower combined registration fees, compared to pursuing two separate registrations would provide sufficient incentive for registrants to prefer the joint system.

Incentives should be implemented so that the value of marketing a common product under a common NAFTA label in both Canada and the US (and Mexico, where appropriate) outweighs the value of marketing common products with different labels.

C) BACKGROUND - GREENHOUSE GAS REDUCTION POLICIES

Following Canada's ratification of the Kyoto Protocol, the Canadian Agriculture sector's focus has shifted to the legislation and regulations that will be required in order to implement the agreement. Agriculture can play a significant role in accomplishing Canada's stated goals. For example, agriculture can contribute up to 20% of our reduction targets. This is two times agriculture's share (10%) of Canada's overall greenhouse gas emissions.

However, producers must be voluntary and willing participants in Kyoto implementation programs if

this potential is to be realized. A significant number of farmers and ranchers are also concerned that new, and unknown, regulatory regimes designed to accomplish environmental goals (e.g., Kyoto) will sharply curtail their ability to carry out their operations and negatively impact their net incomes. The design of a greenhouse gas offset system is one of these areas. Key to our concerns is the use and definition of the concepts of "baselines" and "business as usual" in the proposed offset program.

Concerns with the proposed use of these concepts strikes to the heart of the issue of credit for past action. Since 1990 the agriculture industry has made significant strides in reducing greenhouse gas emissions. A program must be designed to ensure that credit for these past actions accrues to the farmers who have made the right environmental choices. Unfortunately the Government has chosen not to use 1990 as the baseline for its programs, thereby denying farmer's credit for their past environmental stewardship.

Addressing this issue would also send the correct economic signals to farmers and help alleviate the problem of "perverse incentives" that may encourage farmers to decrease carbon sequestration in the short term in order to take better advantage of the proposed program.

D) BACKGROUND - OWNERSHIP OF CARBON

Landowners will be taking on responsibility for the management and liability associated with soil sinks. Therefore landowners must retain individual ownership and the individual benefit for their efforts in accomplishing Canada's greenhouse gas reduction goals (i.e., a carbon sink belongs to the landowner). We strongly believe that agriculture will not be able to reach its potential for carbon sequestration if

individual management and ownership of carbon sinks does not rest with landowners. The question of ownership is a key question that will be fundamental in determining producers' participation in greenhouse gas reduction programs.