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Global Agricultural Information Network

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Report Highlights:

Rail Policy to Prioritize Grain Shipments to Ports Cause Supply Chain Disruptions * Ontario
Government Proposes Farmer's Market Sales for Local Wines * New Study Argues Growth the Key to
Reforming the Dairy Supply Management in Canada * CIGI and Viterra Announced One Million Dollar
Funding Partnership

Current Canadian Agriculture News – Issue 3

Rail Policy to Prioritize Grain Shipments to Ports Cause Supply Chain Disruptions: A combination of increased competition on the tracks from the oil, gas and chemical industries, poor weather which has meant shorter trains, a shortage of locomotives and crews to keep velocity on track, and a bumper crop has caused important delays that are having significant impacts on the grain industry stakeholders. In order to address the backlog in grain, the rail companies have made a questionable policy decision that is causing additional distortions in the supply chains. Canada's two main rail companies have announced that they will concentrate on shipping more grain to western ports rather than transporting product east and south. This policy has been causing significant disruption in supply chains that are dependent on timely delivery of Canadian oat and wheat products east and south.

The Western Canadian Elevator Association reports that there is currently a 55,000 rail car shortfall, with half of it destined to the U.S. and domestic markets. The Canadian milling industry in Eastern Canada is reporting delays of three to four weeks which have resulted in some mill locations in Canada to shut down. Segments of the U.S. milling industry are also being hard hit by the lack of rail service south. Some U.S. milling operations that are dependent on the Canadian supply of high quality oats for their operations are reporting that they have less than 20 days' worth of stocks before they will be forced to shut down their operations. In terms of exports out of the Vancouver port, the outlook is not much better. There are reportedly a record 50 ships waiting for grain on the West coast. Lost sales, contract penalties and demurrage costs continue to escalate. The huge carry-over stocks for 2013/2014 are estimated to amount to 25 million metric tons and if Canada has an average crop yield in 2014/2015, there are concerns that domestic prices will be driven down further. Despite the urgency of the situation, and calls for the federal government to implement emergency legislation to force the railways to handle more grain, the fact remains that there is no short term solution, other than to hope that the weather warms up quickly so that the velocity of the rail system can be accelerated. In the longer term, a significant increase in investment into the transportation infrastructure in Canada is likely needed.

Ontario Government Proposes Farmer's Market Sales for Local Wines: On December 16, 2013, Kathleen Wynne, Premier of Ontario, announced a pilot program to allow the sale of certain Ontario produced wines in Farmers' Markets during the summer of 2014. Later in the year, the pilot will be evaluated for possible permanent implementation. There are currently 320 farmers' markets in Ontario. This sales channel would not be available to wines produced outside of the province. The Liquor Control Board of Ontario (LCBO) is the largest buyer of wine in Canada. In CY2013, Ontario imported C\$ 653 million of wine from around the world. The United States was their leading supplier, followed by Italy and France. The Government of Ontario will be accepting comments regarding this change until Friday March 21, 2014.

More information on this, including how to submit comments, can be found in FAS Canada's recent report [Ontario Government Proposes Farmers' Market Sales for Local Wines](#).

New Study Argues Growth the Key to Reforming the Dairy Supply Management in Canada: The Conference Board of Canada, a Canadian think-tank, has released a new study making an argument that the supply management system under which the Canadian dairy system operates is out of date and limits

the industry's access to growth opportunities. The report argues the case for growth and suggests a path forward that would allow supply management to be wound down in a fair way, leaving only the most efficient producers to continue and supply the world with Canadian dairy products. The Conference Board report cites the OECD estimates that the cost of the market price support provided to the industry costs Canadian dairy consumers an average of \$2.6 billion per year in the last decade. The report stresses that any reform must address issues of funding, efficiency, equity and duration, and measures that can be taken to deal with the necessity of "buying out" the production quota held by the dairy producers. The study is part of the Conference Board of Canada's *Canadian Food Strategy*, a policy option developed after several years of consultations with stakeholders from business, government, academia, and associations.

The study title "Reforming Dairy Supply Management: The Case for Growth" can be found at the following URL address: <http://www.conferenceboard.ca/e-library/abstract.aspx?did=5955>

CIGI and Viterra Announced One Million Dollar Funding Partnership: The Canadian International Grains Institute issued a press release announcing that Viterra, one of the two largest grain companies in Canada, will be investing one million dollars to support CIGI in its ongoing efforts to promote Canadian field crops to customers in domestic and international markets. The future of funding for CIGI had been an area of concern after the loss of the single desk as the Canadian Wheat Board had been one of the primary sources of funding for its market development work (about 40%). CIGI operate with a \$7.5 million annual budget, of which 40 per cent comes from joint federal and provincial funding under Growing Forward 2, 35% from grains check-off and another 25% from fee and service commercial work. The CEO of the Canadian International Grain Institute, Earl Geddes, hopes that this investment will encourage other grain companies in Canada to do the same.

The official press release can be found at the following URL address: <http://cigi.ca/viterra-and-cigi-announce-1m-funding-partnership/>