



## WESTERN BARLEY GROWERS ASSOCIATION

A strong voice for a vibrant, market responsive barley industry in western Canada

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July 21, 2014

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Honourable Ministers Ritz and Raitt:

The Western Barley Growers Association (WGBA) is encouraged with the progress Bill 30, the “Act to Amend the Canadian Grain Act and the Canadian Transportation Act,” has made through the House, and we understand that the government wants to have the regulations in place as of August 1, 2014. The need for a better transportation system in Canada is undeniable. Over the past 15 years Canada’s reputation as a reliable shipper has been progressively damaged and is continually cited by our customers as a major problem. Canadian producers have a reputation for growing a premium product, but the inability to deliver to our customers on time has forced them to go elsewhere. This past winter our Canadian grain shipping system and its duopoly Railways, CN and CP, failed to implement an effective winter shipping plan. In the end, farmers were the ones who ended up paying for it. We’ve seen a large drop in our grain prices through unusually wide basis levels and we will be carrying historically more grain into the new crop year.

Neither the Railways nor the Grain Companies want to spend any money on surge capacity. Their shareholders like a lean bottom line which is easy to achieve when the railroads strive for an even flow of grain throughout the whole year. Add to that a duopoly mentality within the Railways who know that grain is trapped in their system and has to travel on their tracks to be exported. In a modern transportation for Canada, these facts do not add up to a “reasonable level of service” for farmers. Our shipping season, like it or not, has a production surge from September to April. Reliable movement of grain production during this time is essential to farmers’ cash flow and their vendor commitments.

The WGBA believes that Bill C-30 may help rebalance this equation for all participants in Canada’s grain shipping system and indeed all shippers in our rail transportation system. Shippers expect a level of service that is acceptable and reasonable. The devil will be in the details because the Bill does not specifically establish that all parties must pay reciprocal penalties. We believe this would be the simplest way to get all participants to perform to the best of their abilities while not adding a large layer of bureaucracy to the process. The regulations within the Bill will give the CTA the ability (and hopefully the will) to award damages from the Railways equal to costs incurred by the grain companies when the former does not perform as agreed. Given that they do, the WGBA believes C-30 will be able to improve the Railways’ level of service.

The WGBA does not believe that we need a complicated and onerous set of regulations in place to provide the solution needed. Regulations must allow the forces of the market to work; they cannot force them to work. We don’t accept the premise that having reciprocal penalties apply to all parties would require another layer of bureaucracy to monitor the railways or the grain companies. The WGBA believes it would be self-policing, based on commercial contracts arranged between all shippers including grain shippers and the railways. We do have a concern that Grain Companies may not be as willing to offer reasonable forward contracting opportunities to farmers when they still cannot guarantee that the Railways will perform as required to move the grain contracted

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on a timely basis. The provisions of the Bill, being on a complaint basis overseen by the CTA, may not be timely enough to address this concern, but we hope the Railways will not need to be penalized before they deliver acceptable performance during the winter. With that in mind, we would suggest that as the announced accelerated launch of the upcoming CTA Review gets underway, that a final commercial solution to grain transportation in Canada must include the following things:

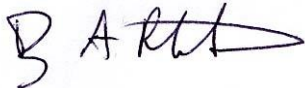
1. We must have reciprocal penalties for everyone in the system, be they railroads, grain companies or farmers.
2. Those penalties must compensate the injured party in each situation.
3. Any regulations enacted must allow the normal forces of the market to work.
4. Bill C-30 provisions can act as a backstop until normal market forces take over, but must be in addition to points 1 and 2.
5. That we encourage the establishment of value-added processing of our primary products as much as possible to both keep jobs and value in Canada and reduce the burden on the transportation system.

The WBGA appreciates the work the Federal Government is doing to solve Canada's transportation issues. We also appreciate the recent announcement of extended grain advance repayment terms, which will help producers weather last years' transportation debacle. Where transportation is concerned, the WBGA believes that all shippers must be able to utilize enforceable shipping contracts (that put all parties on an level playing field with each other) or this issue will continue to adversely affect Canada's international reputation with its' trading partners.

Thank you for your time.

Sincerely,

WESTERN BARLEY GROWERS ASSOCIATION



Doug Robertson, President

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