

Op/Ed

Co-operator staff | Allan Dawson

Farmer-owned AAFC?

In 2019 Canadian farmers grossed almost \$37 billion from crop sales. Each started with a seed.

That's why getting farmers to pay more for plant breeding – often referred to as "value creation" – is important. It's also contentious.

Nobody wants to pay more and a lot of farmers worry royalties will enrich seed companies more than farmers.

Around \$180 million a year – \$100 million from the private sector and \$80 million from governments and farmers – is invested in Canadian crop variety development annually, according to the 2018 JRG Consulting Group study. It says Canadian certified annual seed sales are around \$2.6 billion. That's seven per cent of variety development funding.

By some estimates, Canada needs to double cereal- and pulse-breeding spending to stay competitive with other major grain exporters.

The seed trade contends that its Variety Use Agreement, which charges the farmer a fee to plant saved seed, and which is being tested as a pilot project, will benefit both private and public breeders, and ultimately farmers through better varieties.

Most farmers acknowledge they benefit from new crop varieties. Some even concede they should contribute more, but remain wary.

Farmers are almost always price-takers on the inputs they buy and crops they sell, and seed is a major input. For canola seed, which all comes from private firms, it represents almost 25 per cent of total estimated 2020 operating costs, according to Manitoba Agriculture and Resource Development (MARD).

By comparison, wheat seed – mainly developed by Agriculture and Agri-Food Canada (AAFC) with public and farmer money – represents about 11 per cent of operating costs.

MARD estimates farmers will earn a 5.4 per cent return on canola and 4.7 per cent return on wheat this year.

While canola is usually more profitable than wheat, farmers commonly complain canola seed is too expensive.

Farmers also have long memories.

"I cannot stress enough that amendments to the plant breeders' rights act allows for farmers to retain the right to save, clean, and store seed for their own operations," they were told in February 2015 by Gerry Ritz, the federal minister of agriculture at the time. "There seems to be some confusion around that."

Five years later the seed industry wants a royalty on farm-saved seed.

Farmers would still be allowed to save seed from varieties not covered by UPOV '91, but for how long? Seed officials say unprotected varieties will be available so long as farmers buy them, but the record shows some seed firms have discontinued varieties, arguing the replacements are better.

Some varieties get deregistered. Farmers can still grow them but buyers are obliged to apply the lowest grade for the intended class.

In 2012, Canadian farmers were permitted to start saving seed from Roundup Ready 1 soybeans after the patent expired, but finding them wasn't easy. One retailer confided he wouldn't sell them because he'd be cutting his own throat.

Monsanto also said its new soybeans were so much better that farmers wouldn't want old varieties anyway. Eight years later some farmers are growing the old varieties.

With soybean seed costing around \$95 an acre – 47 per cent of estimated operating costs – there's incentive to find cheaper seed.

Most major farm groups say the federal government must continue funding AAFC's plant breeding even though Ottawa has been cutting it for years.

But with a ballooning projected deficit (\$343 billion) and debt (\$1.2 trillion), no matter which party is in power, there will be pressure to cut costs.

As Tyler McCann, interim executive director of the Canadian Seed Trade Association, says, "the status quo is not sustainable."

Farmers have some tough decisions to make. If AAFC breeding programs don't survive, producers will have to rely on private companies for new cereal varieties and have no control over how the money is used.

As a "plan B" they would do well to investigate taking over AAFC's breeding program.

It's not as radical as it might seem. Canadian farmers already cover about half of AAFC's variety development and related research budget. Turning the department's breeding programs over to farmers would be better than losing AAFC and the competition it brings to the marketplace.

Ideally, the federal government would give it to farmers for free and invest some of its annual savings to help fund a farmer-owned and-administered program.

Numerous studies show plant breeding provides a good return on investment and AAFC has a stellar reputation.

Financing this would require farmers to pay more through their existing research checkoff organizations. However, they would be the ones setting research priorities and they would know they are capturing the full value created from their own investment.

It could be cheaper than the alternative.

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Money in AgriInvest accounts 'disappointing': Bibeau

BUSINESS RISK MANAGEMENT | Canada's agriculture and agri-food minister is still pushing for producers to tap AgriInvest accounts, despite industry arguments that those amounts are small

By D.C. Fraser
GLACIER FARM MEDIA

Agriculture and Agri-Food Minister Marie-Claude Bibeau maintains that farmers needing cash should first look to any available money sitting in AgriInvest accounts.

"The last numbers I've seen did not show that farmers had used their accounts very much," she said during an Aug. 13 interview. "Some sectors a little bit more, but not in a significant way the last time I looked at it, but that was a few weeks ago already. I would say it was a bit disappointing to see that."

Producers have between \$2.27 billion to \$2.37 billion sitting in their AgriInvest accounts currently.

Asked how she responds to criticism from political opponents and producer groups, who maintain the amounts in individual accounts are insignificant – most have \$10,000 or less available – Bibeau continued to push for the money to be spent.

The program is, "meant to provide support in the very short term, as the first line of safety net," she said. "It's easy to access, because you already have it in your account. You're supposed to put this money aside every year so if you face an extraordinary challenge you have this money quickly available, and then you can wait a bit longer or have access to other programs, like AgriStability, AgriRecovery or AgriInsurance if the needs are greater."

"This is the path within the BRM (business risk management) programs, so even if it is not a big amount for some producers, and I would put 'big' in brackets because it's a relative number, but it's

supposed to be the first line of support available and not using it sends the message you don't really need it," she added.

Bibeau has also cited confusion over how the program is used, saying a discussion needs to be had between her, her provincial counterparts and industry stakeholders.

Producer groups, who argue the billion-dollar figures are misleading and that more support is needed due to the insignificant amounts available in individual accounts, won't appreciate her comments.

I have previously argued how it is clear the majority of producers are not hoarding money in their accounts and Bibeau cannot continue citing AgriInvest amounts as a reason to restrict further support for the industry.

Yet that remains the case.

To her credit, Bibeau is still committed to changing business risk management programs and is attempting to lay the groundwork for a potential major overhaul of what is currently offered.

"COVID is giving us — I'm not sure if it's an opportunity, but the occasion to evaluate how they are helping in cases of crisis," she said, noting each program continues to be evaluated on whether or not it is reaching its objectives.

Bibeau says, "everything is on the table," for a deeper reform of the programs, but it won't be happening any time soon (the current federal-provincial-territorial deal governing BRMs doesn't expire for a few more years).

For now, it is clear Bibeau is not happy producers still have money in their AgriInvest accounts, while at the same time asking for more money.

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