



National Farmers Union
Union Nationale des Fermiers



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May 8, 2019

Falling Number and DON comments
Canadian Grain Commission
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The National Farmers Union (NFU) is pleased to provide comments to the Canadian Grain Commission (CGC) in regard to Falling Number and deoxynivalenol (DON) as potential official grain grading factors.

Canada's grading system is necessary to maximize the benefits to Canadian farmers from the international trade in grain and the net foreign exchange earnings they generate. Our grading system differentiates Canadian grain in the market place, and assures customers that grain quality is predictable, reliable, and consistent by grade. Thus our grain grading system constitutes a competitive advantage for Canadian agriculture. The CGC's authority to enforce grades through binding arbitration in the event of a dispute provides farmers with a power-balancing force against companies that might otherwise unfairly downgrade grain delivered to the country elevator.

Our grading system and outward inspections also protect grain exporters from unfounded quality complaints from importers and can provide objective and impartial evidence in disputes which may arise.

The grading system is one of the primary tools the CGC uses to carry out its mandate as stated in the *Canada Grain Act*, which is to "in the interests of the grain producers, establish and maintain standards of quality for Canadian grain and regulate grain handling in Canada, to ensure a dependable commodity for domestic and export markets." The *Canada Grain Act* also provides the CGC with the regulatory authority to define grades for eastern and western grains and establish their specifications, as well as visual or other methods for determining these specifications. Section 16 (3) of *Canada Grain Act* requires that any change to grade definitions should improve its market acceptance and **minimize any reduction in the grain's value** (*emphasis added*).

The NFU has concluded that, at this time, adding Falling Number and deoxynivalenol (DON) as official grain grading factors may not benefit farmers, would increase risks of unfair downgrading, and would potentially reduce the value of graded grain. We recommend that the CGC use its authority to provide a binding determination in the event of a dispute in cases where companies voluntarily use Falling Number and/or DON to value grain delivered. Our rationale for these conclusions follows.

Determining a reliable and fair sampling procedure for these characteristics is still a significant and unresolved technical and logistical challenge. We also have concerns that gaps may occur in the training of grain company staff and in the proper calibration of testing equipment. We are not

confident that these tests would always be done consistently and fairly as a result. In the case of DON testing, there is potential for wide variation of results from sample to sample.

Farmers recognize these technical and logistical limitations to testing for these characteristics. Farmers are also aware that it is in the grain companies' interest to increase their margins by discounting prices paid to farmers. Given the significant potential for disagreement on Falling Number and deoxynivalenol (DON) as a result of the technical and logistical uncertainties, including them as grading factors could easily result in reduced farmer confidence in grades, and a way for grain companies to unfairly justify reduced prices when buying grain from farmers.

Including these two measures into grain grades would also tend to slow down our grading system since testing for Falling Number and/or DON currently takes extra time and would cause delays to the whole system with minimal off-setting benefits to farmers or the export system.

The additional testing could also cause delays when unloading at the elevator, potentially discouraging farmers from waiting for results at busy times, thus limiting their ability to register a dispute for arbitration or alternatively encouraging farmers to routinely exercise their right to have their delivery "subject to inspector's grade and dockage" or when reviews of "special bin" samples are requested.

The CGC's Harvest Sample Program now provides participating farmers with the Falling Number and/or DON for wheat. We would ask that the CGC extend this service to include all cereal grains for which these tests are relevant to their end uses. By increasing the CGC's capacity for testing under the Harvest Sample Program, CGC will obtain more data and experience to guide improvements in methodology, technology, and sampling protocols. Perhaps this will lead to improvements that will eventually generate the credibility and trust in the tests to make it acceptable to add Falling Number and DON as grading factors.

We are aware that some grain companies include Falling Number and/or DON specifications in their some of their contracts. Since these now affect the value of grain to some farmers and the CGC has a statutory obligation to act in the interest of grain producers, we would urge the CGC to develop official sampling protocols and testing procedures for its own and commercial use.

We would note that *Canada Grain Act - Grain Regulations PART 2, Section 7 (1) Grading of Unofficial Samples* appears to give the CGC ample authority to provide binding determination of Falling Number and/or DON in the event of a dispute between a farmer and grain buyer when these specifications are used in commercial contracts. Currently farmers must pay when requesting this service. We would recommend that for Falling Number and/or DON, fees for grading of unofficial samples be waived.

We would therefore urge the CGC to make farmers aware that they have the ability to obtain a binding determination from the CGC in the event of disputes that may arise where the companies are including Falling Number and/or DON in determining the value of the grain delivered. However, we cannot support adding Falling Number and/or DON as official grain grading factors at this time.

Respectfully submitted by

The National Farmers Union
May 8, 2019