



Transforming Canada's cereals sector through value creation

Stakeholder engagement on value creation models
Winnipeg, MB - November 16, 2018



Purpose

This presentation will:

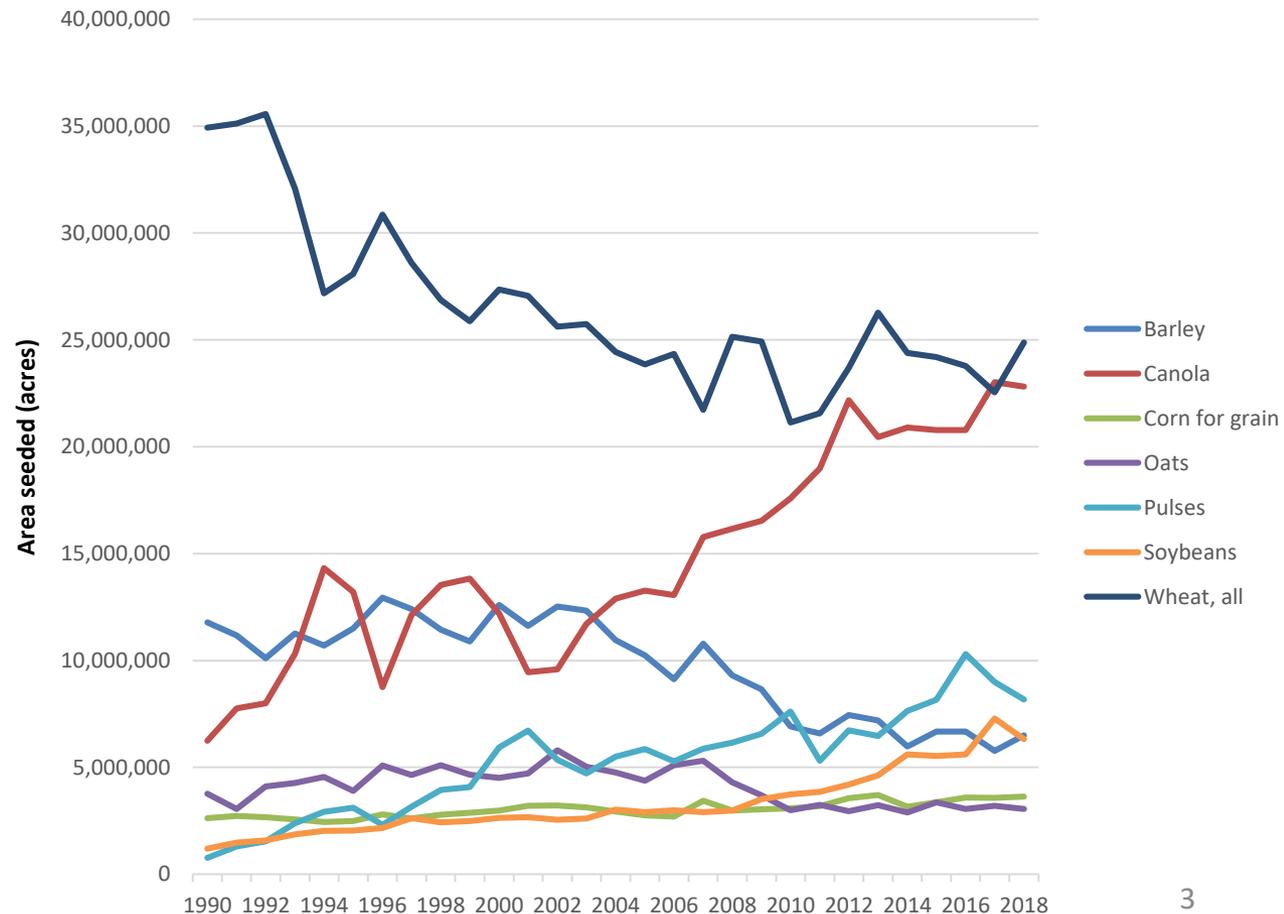
- Provide background and context on the competitiveness and sustainability challenges facing Canada's cereals sector
- Set out the legal/regulatory environment for implementing a new model
- Provide an overview of the funding models recommended by the Grains Roundtable for further consideration

Cereals play a major role in Canada's economy

Cereals, and wheat in particular, are important to Canada's agricultural sector

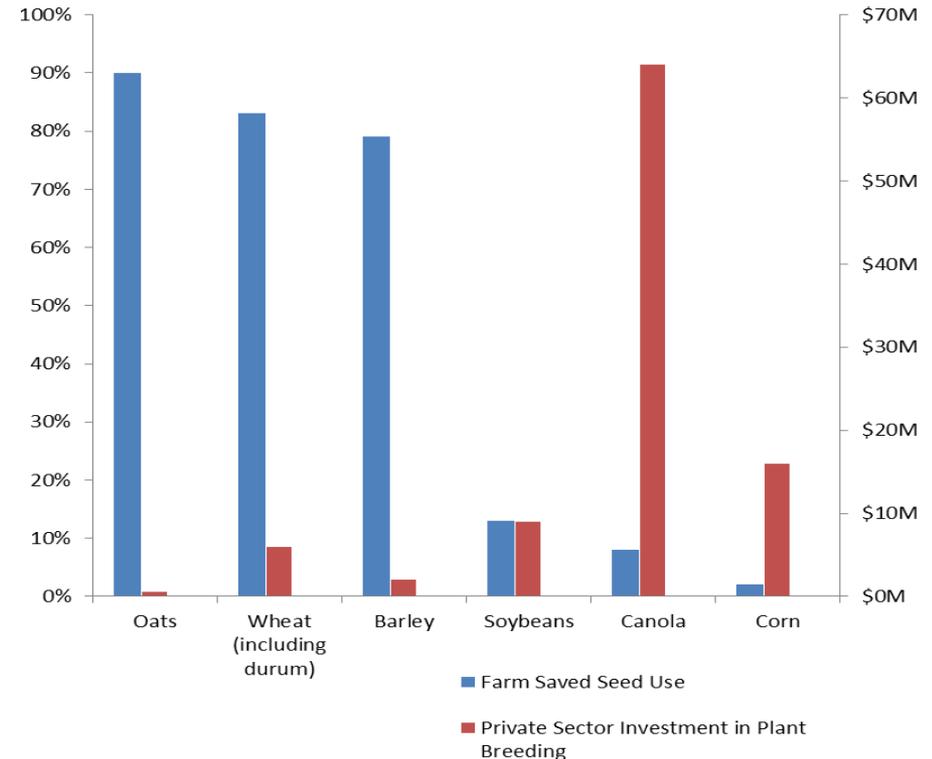
- Wheat contributes \$9 billion annually to the Canadian economy
- Cereals are needed in crop rotations to prevent pest and disease pressures from emerging
- However, due to declining profitability relative to other crop types, acreage for wheat and barley has been declining in favour of other crops (e.g., canola)

Area Seeded to Selected Major Field Crops, Canada (1990-2018)



Existing system limits investment

- Private sector activity in cereals research and variety development (8% of total private sector investment) has been minimal due to high rates of farm-saved seed
- Investments in plant breeding for major cereal crops (i.e. wheat, barley) are funded primarily through tax payer dollars, with support from producer contributions
- The private sector now plays a leading role in developing certain crops with canola, corn, and soybeans receiving nearly 90% of private sector research investment



Soybeans, canola and corn benefit from hybrid and/or genetically engineered varieties, which places limits on farmers' ability to save and replant seed

What could a future cereals sector look like?

Producers have choice

- A range of high-performing varieties would be available once a new model is in place, some eligible for end-point royalties/farm saved seed royalties and others not

Overall investment grows

- Royalty revenue helps support public and large/small private breeding programs and partnerships/collaborations; producer economic returns also grow along with investment

Public sector maintains prominent role

- Private sector invests to help drive further and potential transformative change

Transition over time

- Royalty rates for newer, eligible varieties will need to be competitive with varieties currently on the market (certified seed royalties avg. \$3.00/acre for wheat); transition to end-point royalty or farm saved seed contract model over time as newer varieties (post 2015) adopted

Wheat becomes not just a much-needed rotational crop, but a crop of choice; other crops (e.g., other cereals, pulses, flax, etc.) also grow their potential further, expanding producer choice.

Strengthened Plant Breeders' Rights set the stage for a new approach

Canada first enacted its *Plant Breeders' Rights Act* (PBRA) in 1990

Based on UPOV 78 international convention; worked well to enhance protection for some crops (e.g., horticulture, potatoes and ornamentals), but weak IP protection for others (e.g., wheat) due to lack of restrictions on farm saved seed



In 2015, Canada amended the PBRA to include provisions that bring it into line with current UPOV 91 convention

Regulation making authority was included in these amendments that allows for new value creation models which place conditions on the use of farm-saved seed

Only varieties released after the PBRA was amended in February 2015 would be eligible for royalty collection under a new funding model.

Drivers for change

- A few multinational companies (e.g., Bayer, Limagrain/Canterra) have made modest investments to enhance breeding capacity in Western Canada following the 2015 amendments to the *Plant Breeders' Rights Act*
- Canada's capacity to attract further investment limited in the absence of an improved funding mechanism for research and variety development
- Additional investment in variety development could improve the competitiveness of cereals production through higher yields and increased resilience to the effects of weather, pests and disease
- Increased investment will also help Canada remain competitive with countries where models are in place (e.g., Australia, France) or are currently being developed (e.g., Ukraine, South Africa); to date, the U.S. has not implemented a value creation model

Investments in plant breeding have generated significant benefits for Canadian producers.

For example, from 1991 to 2015, the estimated prairie wide benefit-to-cost ratio for investments made in Saskatchewan Crop Development Centre (CDC) plant breeding is 11.5; meaning each dollar of plant breeding expenditure provided \$11.50 of benefit across the three prairie provinces.

Over this same time period, CDC-developed varieties increased producer profitability by \$3.8 billion (CDC, 2016)

Desired outcomes

These in-person sessions are intended to engage stakeholders in a discussion on the future of Canada's cereals sector and obtain views of the models recommended by the Grains Roundtable

Input received throughout this stakeholder engagement process will inform next steps related to a model for Canada along with subsequent phases of engagement

There will be many opportunities to input

Next steps: a three-stage AAFC/CFIA-led engagement is underway

Phase 1 (Oct/Nov 2018)

- Four full-day, face-to-face sessions in Winnipeg (Nov. 16), Ottawa (Nov. 30), Saskatoon (Dec. 4) and Edmonton (Dec. 6); see annex for additional details

Phase 2 (Dec/Jan 2019)

- Online consultations on a preferred model and implementation options
- Details of this online component will be informed by the results of the Phase 1 engagement sessions
- Additional face-to-face sessions may be held to complement the online component

Phase 3 (Winter/Spring 2019)

- Final face-to-face session in Ottawa to present and seek endorsement of the preferred models based on the “What we Heard” report from Phases I and II

Grain and seed industry stakeholders, provincial/territorial governments, and producer associations/their members will be invited to participate with AAFC/CFIA officials also willing/able to attend Board meetings, events, etc.

Discussion

- Any initial thoughts or advice on what's been presented so far?

For any follow up questions, please contact:

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