February 5, 2018

Senator David Tkachuk, Chair
Senate Standing Committee on Transport and Communications
The Senate of Canada
Ottawa, Ontario
Canada, K1A 0A4

Dear Senator Tkachuk,

On behalf of the Board of Directors of Soy Canada, I am writing to members of the Senate Standing Committee on Transport and Communications (TRCM) to recommend the adoption of a technical amendment to legislation under study during the Committee’s review of Bill C-49, Transportation Modernization Act. Soy Canada strongly urges the addition of soybeans to the list of Schedule II crops that are regulated under the maximum revenue entitlement (MRE) for grains shipped in western Canada.

The MRE is an important tool that governs the maximum revenue per tonne-mile that can be earned by Class 1 Railways during the shipment of eligible grains from Canadian origins to export positions. It has been an effective mechanism that not only guards against the potential of unwarranted rate increases, but also provides railways with flexibility to structure transportation rates in a manner that encourages efficiencies while responding to market forces related to volumes, seasonal demands and capacity constraints.

The MRE was established in 2000 at a time when farmers in western Canada were only beginning to consider soybeans as a potential component of crop rotations. Consequently, soybeans were not included in the list of Schedule II crops (see appendix I) identified in the Canada Transportation Act (CTA), thereby rendering soybeans ineligible for regulation under the MRE.

Since that time, soybeans have become the fastest growing principal field crop in western Canada. By 2017, the seeded area of soybeans in western Canada had climbed to 3.1 million acres. Today, soybeans are a major and still increasing crop in Manitoba, a rapidly expanding crop in Saskatchewan, and beginning to venture into Alberta. It is a reasonable expectation that, as the result of rapid changes which are now occurring in plant breeding innovation, pest control, and agronomic practices, soybean production will double yet again during the next ten years.

The economic impact of the soybean sector in western Canada is estimated to have reached $1 billion annually and created some 10,000 full time jobs. The industry is already having significant influences on provincial, regional and local economies, but is dependent upon
competitive rail transportation costs for the transfer of landlocked soybeans and soy products to export-ready ports.

In 2017, soybean production in western Canada exceeded 2.7 million tonnes, more than six times that of the 2010 output and was the sixth largest crop on the prairies, after wheat, canola, barley, peas and oats (see appendix II). Furthermore, soybean production not only exceeded, but in most comparisons was several magnitudes greater than the production of other crops currently included in appendix II: lentils (1X), corn (2X), flaxseed (5X), beans (9X), rye (10X), canary seed (20X), mustard seed (22X), sunflower seed (47X), and buckwheat.

Of the 15 crops mentioned in the preceding paragraph, only soybeans are ineligible for the maximum revenue entitlement. While this discrepancy was understandable and justified when it was created in 2000, this has not been the case for at least the past decade.

The economic benefits associated with a MRE regulation are real and should to be available equitably to all major and rapidly expanding crops in western Canada. Equitable access would ensure both fair treatment between crops domestically and support competitive shipping costs against other large, well-resourced export nations.

On December 21, 2017 the Canadian Transportation Agency ordered CN and CP to pay a total of $7.2 million to the Western Grain Research Foundation as both railways exceeded the MRE for 2016/2017. Exclusion from the MRE means that soybean and soy product farmers, processors and exporters are not afforded transportation rate protection and competitiveness similar to that offered to all the other major and minor crops specified in Schedule II.

It is our view that there is strong justification for the inclusion of soybeans and soy products in the list of Schedule II crops under the Canada Transportation Act. The current Transportation Modernization Act exercise process offers a rare opportunity for the federal government to remove a discriminatory regulatory provision that uniquely disadvantages our industry. Equitable treatment under the Canada Transportation Act would enhance the competitiveness of soybean production in Canada’s most promising new frontiers.

I thank the members of the Senate Standing Committee on Transportation and Communication for considering this request for a technical amendment in its study of the Transportation Modernization Act and would welcome an opportunity to appear before the Committee or to provide any additional formation that would be of assistance in your deliberations.

Sincerely,

Mark Huston
Chair