

Background

The export of grains has traditionally played a major role in Canada's overall export performance. Canada has been selling grain on credit, with government guarantees of repayment, since the 1952/53 crop year. The portion of export sales on credit has varied from year to year. About 12 per cent of total sales last year were on credit terms, most on the maximum repayment terms of three years.

The government program in this area, the Credit Grain Sales Program, operates to ensure that the CWB has the flexibility to provide credit when necessary to maintain a traditional market or gain long-term access to a new market. Following discussions with the CWB on market prospects the government annually authorizes the CWB to extend credit if necessary to a list of countries to specified ceilings. Between annual reviews new countries may be added to the list or changes may be made to the authorized ceilings relatively quickly. In many cases, it has not been necessary to utilize, either wholly or in part, the authorized ceilings, either because credit is not necessary or prospects do not materialize. Nevertheless, the potential to offer credit when and where necessary is of considerable value in maintaining the competitiveness of Canadian grain in export markets. For grains not marketed by the CWB, financing can be arranged under EDC's Corporate Account Section 24 insurance or, for medium-term credit, under EDC's Canada Account Section 27 insurance facility.

Credit grain sales by the Board involve the assumption by the government of significant contingent liabilities, which now total about \$3.0 billion. When the CWB makes a sale on credit it borrows from the banks an amount equivalent to the credit sale which it uses to pay the farmer for the exported grain. These loans are repaid to the banks as the CWB receives payments from its overseas customers. The Minister of Finance, on behalf of the government, provides a 100 per cent guarantee of the bank loans. No fee is charged for the government guarantee.

The international financial environment over the last several years has been very difficult. This has generally led to increased demand for credit on grain sales and at the same time resulted in increased risks of non-payment or payment delays. Most of the CWB's credit exposure is in countries which are experiencing financial difficulties and which have recently or will soon have rescheduled their external debt. Over three quarters of the Board's 1984 credit receivables have been affected by reschedulings. As a result, credit extended originally for three years is now being repaid over a much longer period.